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# OVERSIGHT HEARINGS ON 1983 BUDGET REQUEST

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## HEARINGS

BEFORE THE

## COMMITTEE ON EDUCATION AND LABOR
## HOUSE OF REPRESENTATIVES

NINETY-SEVENTH CONGRESS

SECOND SESSION

---

HEARINGS HELD IN WASHINGTON, D.C. ON
MARCH 2, 3, 8, AND 11, 1982

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# OVERSIGHT HEARINGS ON 1983 BUDGET REQUEST

TUESDAY, MARCH 2, 1982

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EDUCATION AND LABOR,
*Washington, D.C.*

The committee met, pursuant to call, at 9:17 a.m., in room 2175, Rayburn House Office Building, Hon. Carl D. Perkins (chairman of the committee) presiding.

Members present: Representatives Perkins, Hawkins, Ford, Simon, Miller, Murphy, Weiss, Corrada, Kildee, Peyser, Williams, Ratchford, Kogovsek, Washington, Ashbrook, Goodling, Coleman, Kramer, Petri, Fenwick, Roukema, DeNardis, Craig, and Bailey.

Chairman PERKINS. This morning the Committee on Education and Labor begins a series of hearings on the President's budget proposals affecting education, labor, and other programs within our jurisdiction. Throughout the next 2 weeks we will hear testimony from the four Cabinet Secretaries who administer our committee's major programs.

Our purpose is to gain the fullest possible understanding of the administration's proposals and their justifications before making our own budget decisions. By March 15, our committee must make recommendations to the Budget Committee about future funding of programs under our jurisdiction. You see that we do not have too much time.

This morning I am pleased to welcome the Honorable Terrel H. Bell, Secretary of Education, before this committee. We appreciate your taking time to appear this morning, Secretary Bell.

Our focus today is the Department of Education budget. Overall, the President is recommending to reduce that budget from its fiscal year 1982 continuing resolution level of $13 billion down to $10 billion in fiscal year 1982, a 23-percent cutback. These figures include the budget request for programs the administration wants to transfer out of the Department.

In addition, for fiscal year 1982, the President is proposing a $1.2 billion in rescissions for education programs.

Among the biggest losers under the President's budget would be the title I program, slated for a 33-percent cut between fiscal years 1982 and 1983; the Pell grant program, scheduled for a 39-percent cut; and the guaranteed student loan program, where the administration is seeking amendments to drastically reduce this program.

The President's budget proposes two new consolidations. The administration recommends consolidating all Federal handicapped

education programs, accompanied by a 29-percent cut. The budget also calls for merging the vocational education and adult education programs into a block grant and cutting the funding by 32 percent.

Many other education programs are targeted for severe cuts or total elimination.

In my view, these budget proposals are a serious mistake. Last year education programs were cut by 12 percent. There is no fat left in these programs. The President's further reductions will cut directly into the bone.

For example, under the title I proposal, up to 2 million poor and low-achieving children could lose remedial services. The President's student aid recommendations could result in 2 million students losing needed assistance toward a college education.

Moreover, our Federal education programs contribute to our national strength and well-being, by preparing people to become productive workers and by providing them with the skills they will need to function in American life. I worry about the increased costs down the road if we drastically cut back on these programs now.

I regret to state that Mr. Gaydos has for some time had a Labor Committee on health and safety--mine safety—hearings scheduled for this morning, and as I understand it, several of the widows from my home county, where we had those mining accidents, are up here today to testify. After we get underway, and after I ask Secretary Bell a few questions, I will turn the committee over to the ranking member.

I want to say that we are delighted, Mr. Bell, that you came up this morning to give us the benefit of your views. We will be trying our best to do the right things this year. I know we have great budget deficits, but at the same time we have got to be careful, it seems to me, and make sure that we increase our productive base in this Nation to let these youngsters become taxpayers. We must make sure we don't throw anybody on relief and eliminate the relief rolls as much as we can, because in the long run it will rebound to the welfare of this country, in my view.

I am delighted to welcome you here again. Secretary Bell, you go ahead and introduce the people that accompany you and proceed in any manner you prefer.

**STATEMENT OF HON. TERREL H. BELL, SECRETARY OF EDUCATION, ACCOMPANIED BY GARY L. JONES, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET AND EVALUATION; SALLY H. CHRISTENSEN, DIRECTOR FOR BUDGET SYSTEMS AND SERVICES; WILLIAM DINGELDEIN, DEPUTY DIRECTOR FOR PROGRAM PLANNING AND BUDGET ANALYSIS; AND THOMAS SKELLY, ACTING DIRECTOR FOR BUDGET SYSTEMS**

Secretary BELL. Thank you, Mr. Chairman.

I am pleased to introduce my colleagues, Gary Jones, Deputy Under Secretary for Planning, Budget and Evaluation; Sally Christensen, who is Director for Budget Systems and Services in the Department of Education; William Dingeldein, who is Deputy Director for Program Planning and Budget Analysis; and Thomas Skelly, who is Acting Director for Budget Systems. They will help me to respond to your questions during the process of the hearing.

I appreciate the opportunity to appear before you to discuss the first budget for the proposed Foundation to replace the Department of Education.

This Foundation will retain and provide funding for selected programs and functions which are appropriate for the limited Federal role. These include a core of continuing information, statistical and research services, and includes block grants and consolidated aid to State and local education agencies, including programs that will ultimately be turned over to States under the federalism initiative. This role includes student financial aid through grants, loans and work study, aid for compensatory programs for disadvantaged, handicapped and other groups. It also includes the traditional civil rights role of complaint investigation and resolution of civil rights problems.

The administration of each of these programs and functions can be accomplished hopefully with a minimum of Federal control, while assuring continued support and commitment for the objectives of the programs. Under our Foundation proposal, some 28 programs that are not directly related to education support would be transferred to other agencies, and 23 existing programs, many of low priority, or that have served their purpose, would be terminated.

I would emphasize that while we are proposing to abolish the Department of Education, we definitely don't propose to abolish the Federal role in education.

Our fiscal year 1983 budget request for the Foundation of $8.8 billion, when added to the programs which would be transferred to other agencies totals, as the chairman indicated, $10 billion, which is our recommendation for the Department. This reduced funding needs to be viewed in the context of a very critical fiscal situation. With the administration projecting a $91 billion deficit, and the Congressional Budget Office projecting a deficit in excess of $120 billion, we have had to adopt a somewhat austere budget proposal for education as well as for other Federal programs.

Our proposal includes reductions in both 1982 and 1983 for most programs as part of the continuing effort of this administration to revive the Nation's economy. We know that these cuts are going to be taken with pain. However, we anticipate that many of the reductions in the Federal funds will be at least partially absorbed by increased State, local and individual contributions that are going to be possible as the economy turns around and as we improve our tax base for property, sales and State income taxes for 1983 and 1984. We would emphasize that of the $181 billion spent nationally on education, only about 10 percent comes directly from the Federal Government.

In making these difficult but, we think necessary choices, we have attempted to spread the burden as fairly as possible among various beneficiaries of our programs, and still reflect the priority areas that we have to deal with.

Despite cost-reduction measures taken in last year's Reconciliation Act, the uncontrollable entitlement costs of subsidizing loans to higher education students while they are in school, and paying special allowances to banks and other lenders, have continued to grow dramatically. In 1977, for example, the GSL cost to the Feder-

al Government was $367 million; by 1980, the cost had grown to $1.6 billion. Unless Congress takes some action to make some significant changes in this program, the cost in 1983 will climb to $3.4 billion. This is a growth of 900 percent in the 7 fiscal years that we're discussing.

In an effort to control the GSL cost spiral, we are proposing four major legislative changes: One, raise the loan origination fee from 5 to 10 percent; two, require an analysis of need for students of all family income levels; three, eliminate special allowances to lenders 2 years after the borrower leaves school; and four, require graduate students to borrow at 14 percent under the auxiliary loan program, rather than 9 percent under the regular student loan program—and there would be no needs test for the auxiliary program.

Other changes include raising insurance premiums for lenders of federally insured loans and charging guarantee agencies a new reinsurance premium.

These changes are expected to result in savings of $309 million in 1982, and $912 million in 1983. And even with these savings, I would emphasize it is still going to be necessary to request a supplemental of $979 million for fiscal year 1982 to meet the costs of the loan program as it now exists.

Despite these changes and the budget reductions in other student aid programs, we still feel that the student aid programs will provide an assurance that needy students will have access to postsecondary education, albeit a tighter pinch on the amount of money that is going to be available to them; that we give priority consideration to disadvantaged youth in the Pell grant funding; and our proposals will allocate nearly 80 percent of the Pell grant dollars, admittedly reduced considerably, to students from families with an adjusted gross income of $12,000 or less, while still providing awards to students from an average family of four having an adjusted gross income of $18,000. And assistance under the guaranteed loan program to any student who can demonstrate a need and to any parent, regardless of need, if they participate in the auxiliary loan program. And then there will be continued support, reduced, admittedly, but continued support for the campus-based work study program.

So we are targeting on our neediest students with the limited budget that we have. We are also asking that students and parents, where they are able, contribute a greater share of college costs.

Our arguments in the elementary and secondary education area are quite similar. For example, reductions in the basic grants for handicapped children will lower the average total per pupil expenditure for those children by $11 a child, and in vocational education States and localities now overmatch Federal funds 11 to 1. Most of the funding for these children is now provided by State and local governments. Moreover, our proposed consolidation and simplification of these programs will reduce current paperwork and administrative burdens so that State and local governments will be able to do slightly more with fewer dollars because of the reduction in the paperwork burden.

Our elimination of library programs reflects the success of the Federal effort over the last 25 years in stimulating State and local support to expand library access to all segments of our population.

These program funds are now overmatched on a 20-to-1 basis, which indicates how Federal money has stimulated commitment in the library area over those years.

The reductions in funding for chapter 1 were necessary given the realities of a $10 billion overall budget. We know that these reductions will require school districts to look at less costly programs of compensatory education. Our appraisals indicate that there are successful programs in the $300 to $400 per student funding range. Our Foundation will continue to identify and disseminate cost-effective projects, especially those that emphasize exemplary basic skills and have a low cost per child basis.

We are proposing to consolidate programs in two major education areas: The handicapped area in one consolidation bill, and the consolidation of vocational and adult education in another. Although we are still developing the specifics of these proposals for transmittal to Congress, the key elements of these respective laws will be maintained, the proposals will provide for much greater flexibility, administrative simplification and control by State and local educators over the programs which they administer. These consolidations are important not only for the administrative burdens which they relieve, but also for the relief from the associated costs which districts and States have incurred in carrying out these laws.

Finally, it is our intent to continue support in research and statistics. It is important to highlight our continued role in the area of educational research, statistics and information gathering. Understanding how students learn to read and comprehend language and identifying the best methods to be used in teaching basic skills are problems that are confronted by almost all of our schools. We will continue to support such investigations and provide assistance to schools as they pursue this knowledge.

As you can well imagine, it is much more cost effective and sensible to undertake a research project which applies to 16,000 school districts than it is to have several thousand individual districts all working on the same question. Similarly, the continued collection of data benefits all school districts in their financial planning as they make projections for future trends in the population and services which they will provide.

In summary, we were faced with a difficult task in putting together a budget within the confines of the $10 billion budget allowance. These limits were required by the budget deficits we face that range from the administration's estimate of $91 billion to over $120 billion estimated by the Congressional Budget Office. In this fiscal climate we emphasize that we had hard choices to make in our proposals to Congress. I believe that we have kept our priorities, given the fact that we had to put together a budget on the $10 billion level, and kept them in order as we best could appraise them in the Department in meeting the funding levels that the President's budget recommendations provided to us to present to Congress.

It is with this perspective in mind that I ask you to consider very carefully our legislative proposals as they go through the various stages of the congressional process. We look forward to working with you and your colleagues in the coming weeks on these critical

issues, and we appreciate the opportunity to present this opening statement to you.

We will be pleased, Mr. Chairman, to respond to questions.

[The prepared statement of Secretary Bell follows:]

PREPARED STATEMENT OF HON. T. H. BELL, SECRETARY OF EDUCATION, ACCOMPANIED BY GARY L. JONES, DEPUTY UNDER SECRETARY FOR PLANNING, BUDGET AND EVALUATION; SALLY H. CHRISTENSEN, DIRECTOR FOR BUDGET SYSTEMS AND SERVICES; WILLIAM DINGELDEIN, DEPUTY DIRECTOR FOR PROGRAM PLANNING AND BUDGET ANALYSIS; THOMAS P. SKELLY, ACTING DIRECTOR OF BUDGET SYSTEMS; AND ANNE GRAHAM, ASSISTANT SECRETARY FOR LEGISLATION AND PUBLIC AFFAIRS

FOUNDATION FOR EDUCATION ASSISTANCE FISCAL YEAR 1983 BUDGET

I appreciate this opportunity to appear before you to discuss the first budget for our proposed Foundation for Education Assistance.

Our recommendations for fiscal year 1983 reflect one underlying theme—that education is primarily a responsibility of teachers, parents, State and local officials, and educational institutions. The President's concern that we preserve this tradition of grass roots control of education is reflected in our proposal to move to a foundation type structure to manage the programs that will remain in the limited Federal role that the government should play in education.

This includes carefully targeted Federal assistance—such as providing a core of continuing research and statistical services; compensatory programs for the disadvantaged and handicapped; student financial aid through grants, loans, and work-study; block grants and consolidated aid to State and local educational agencies; and civil rights complaints investigations and negotiations for voluntary compliance.

Administration of each of these programs and functions can be accomplished with a minimum of Federal control, while assuring continued support and commitment for their objectives. Under the Foundation proposal, some 28 programs that are not directly related to education support would be transferred to other agencies and 23 existing education programs of low priority or that have served their purposes would be terminated.

I emphasize that while we are proposing to abolish the Department of Education, we are not proposing to abolish the Federal role in education.

BUDGET SUMMARY

Our fiscal year 1983 budget request for the Foundation of $8.8 billion, when added to the programs which would be transferred to other agencies, totals $10 billion for programs now in the Department. This reduced funding must be viewed in the context of a very critical fiscal situation. With this Administration's projection of a $91 billion deficit and the Congressional Budget Office projecting a deficit in excess of $120 billion, we have had to adopt a somewhat austere budget proposal for education as well as for other Federal programs.

Our proposal includes reductions in both 1982 and 1983 for most programs as part of our continuing effort to revive the Nation's economy. We know these will not be achieved without some pain. However, we anticipate that many of these reductions in Federal funds will be partially offset by increased State, local, and individual contributions that will be possible if a revitalized economy improves tax bases for property, sales, and State income taxes by 1983 and school year 1983-84. Of the $181 billion spent nationally on education, only about 10 percent comes directly from the Federal government.

In making these difficult but necessary choices, we have attempted to spread the burden as fairly as possible among various beneficiaries of our programs, while still reflecting priority areas.

STUDENT ASSISTANCE

Despite cost-reduction measures taken in last year's Reconciliation Act, the uncontrollable entitlement costs of subsidizing loans to higher education students while they are in school, and paying special allowances to banks and other lenders, have continued to grow dramatically. In 1977, GSL cost the Federal Government $367 million; by 1980, the cost was $1.6 billion; and unless Congress enacts significant changes in the program, the cost in 1983 will climb to $3.4 billion—a growth of 900 percent in just seven fiscal years.

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In an effort to control the GSL cost spiral, we are proposing four major legislative changes: (1) raising the loan origination fee from 5 to 10 percent; (2) requiring an analysis of need for students of all family income levels; (3) eliminating special allowances to lenders two years after the borrower leaves school; and (4) requiring graduate students to borrow at 14 percent under the new auxiliary loan program rather than 9 percent under the regular student loan program (there is no needs test for the auxiliary loans). Other changes include raising insurance premiums for lenders of federally insured loans and charging guarantee agencies a new reinsurance premium. These changes are expected to result in savings of $309 million in 1982 and $912 million in 1983. Even with these savings, it is still necessary to request a supplemental of $978 million for fiscal year 1982. Despite these changes and budget reductions in other student aid programs, I can still say that our student financial aid proposal provides:

An assurance that needy students will have access to a postsecondary education; Priority consideration for disadvantaged youth for Pell Grant funding; Our proposal will allocate nearly 80 percent of the Pell Grant dollars to students from families with an adjusted gross income of $12,000 or less, while still providing awards to students from an average family of four, having an adjusted gross income of $18,000; Assistance under the Guaranteed Student Loan program to any student who can demonstrate a need and to any parent, regardless of need; and Continued support for campus-based work-study.

In short, we are targeting on the neediest students, and we are also asking that students and parents, where they are able, contribute a greater share of college costs.

### ELEMENTARY AND SECONDARY EDUCATION

Our arguments in elementary and secondary education and other areas are similar. For instance, reductions in Basic State Grants for Handicapped Children will lower the average total per pupil expenditure for those children by only $11 per child. In vocational education, States and localities now overmatch Federal funds by 11 to 1. Most of the funding for these children is now provided by State and local governments. Moreover, our proposed consolidation and simplification of both these programs will reduce current paperwork and administrative burdens so that State and local governments will be able to do more with fewer dollars.

Our elimination of library programs reflects the success of this Federal effort over the last 25 years in stimulating State and local support to expand library access to all segments of our population. These Federal funds, in fact, are now overmatched by State and local funds by 20 to 1.

The reductions in funding for Chapter 1 were necessary given the realities of a $10 billion overall budget. We know that these reductions will require school districts to look for less costly programs of compensatory education. Our appraisals indicate that there are successful programs in the $300 to $400 per student funding range. Our Foundation will continue to identify and disseminate cost-effective projects, especially those that emphasize exemplary basic skills and have a low cost per child.

### PROGRAM CONSOLIDATIONS

We are proposing to consolidate programs in two major education areas: (1) Handicapped Education and (2) Vocational and Adult Education. Although we are still developing the specifics of these proposals for transmittal to Congress, the key elements of these respective laws will be maintained, the proposals will provide for much greater flexibility, administrative simplification and control by State and local educators over the programs which they administer. These consolidations are important not only for the administrative burdens which they will relieve, but also for the relief from the associated costs which districts and States have incurred to carry out these laws.

### RESEARCH AND STATISTICS

Finally, it is important to highlight our continued role in the area of educational research, statistics and information sharing. Understanding how students learn to read and comprehend language and identifying the best methods to be used in teaching basic skills are problems confronted by almost all schools. We will continue to support such investigations and provide assistance to schools as they pursue this knowledge. As you can well imagine, it is much more cost effective and sensible to undertake a research project which applies to 16,000 school districts than it is to

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have several thousand individual districts all working on the same question. Similarly, the continued collection of education data benefits all school districts in their financial planning and as they make projections for future trends in the population and services which will be provided.

In summary, we were faced with a difficult task in putting together a budget within the confines of a $10 billion budget allowance. These limits were required by the budget deficits we face that range from the Administration's estimate of $91 billion to the $120 billion estimated by the Congressional Budget Office. In this fiscal climate we had some hard choices to make in our proposals to Congress. I believe that we have kept our priorities in order in setting our funding levels in the President's budget recommendations to the Congress.

It is with this perspective in mind that I ask you to consider very carefully our legislative proposals as they go through the various stages of the Congressional process. We look forward to working with you and your colleagues in the coming weeks on these critical issues.

We will be happy to respond to any questions you may have.

Mr. HAWKINS [presiding]. Thank you, Mr. Bell.

The Chair, in view of the limited time available, will strictly interpret the 5-minute rule. We will try to conform to that as stringently as possible the first time around.

Mr. Bell, almost a year ago before this committee, in reference to title I of the law that was then prevailing, you said this, with reference to a 25-percent reduction:

> But I can say, if we take 25 percent of the money out of Title I of the Elementary and Secondary Education Act, that it is not going to have an impact on quality of education, because it is.

As you know, we did reduce the funding. This year, faced with what may be anywhere from a 29- to 33-percent reduction, depending on whose statistics we take, but either one is, I think, equally significant for the question I would like to ask you. We'll use the lower one.

In view of the 29-percent reduction, are you saying that the quality of education with respect to the educationally handicapped and poor children will be maintained?

Secretary BELL. I couldn't make that claim that it will be, Mr. Chairman. I know that there is not a direct dollar-for-dollar relationship between education quality and the amount of money that we spend on education. But I would also have to say that when you reduce funding, you are sacrificing as far as quality is concerned. We all know that.

I would also like to tell the committee that the title I program has been a successful program. All of our evaluation indicates that. And we have been successful over the years, since 1965, in educating disadvantaged children.

I would indicate that we have spent a lot of time down through the years in the Department evaluating various models and various approaches to educating disadvantaged children, and given the fact that I had to face a $10 billion allowance, after I had concluded all of my internal procedures and negotiating with OMB and availing myself of the appeal opportunities that are available, we wound up with a $10 billion budget. So I had to squeeze within that $10 billion amount the allocations that we made.

Knowing that we have had some programs that have been reported to us as being successful, and the funding range that we reported in our testimony, knowing with the large dollar amounts that we had to take out of our budget, that any place I made reduc-

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tions there would be difficulty, I felt that I had no choice but to reduce the title I or the chapter 1 funding—we've all known it as title I for so long—to a $1.9 billion. That would provide approximately $400 per student, and the amount of money available from the students participating is therefore reduced from a $525 level.

For me to sit before this committee and say you can do that and there won't be any sacrifice, is not forthright and I won't do that. I would just say that, given the realities of the budget, given the pressures of this enormous deficit that we're facing, and after I had done all that, I could get the best budget that I could for the Department of Education, I felt constrained to come with the dollar amounts that we now have before you.

Mr. HAWKINS. I understand that I have imposed a 5-minute limit on the Chair as well. Thank you, Mr. Bell.

Mr. Goodling?

Mr. GOODLING. Thank you, Mr. Chairman.

I guess, first of all, I had better find out that putting up one finger doesn't mean the same as it did when I was in a one-room school, because if it does, we're going to overcrowd the facilities that we have around here. [Laughter.]

Secretary Bell, I realize that the bad news you're bringing us could be a lot worse if you hadn't done some fighting and got some points of view through, so I am not really going to go after you. We have a lot of things that we'll do differently than are being proposed. I am sure you understand that. Let me just make three remarks, and if you want to comment on them, you might. I have several concerns.

First of all, in chapter 1, figure 1, when you talk about a rescission of $411 million for 1982, my concern is over any kind of negotiating that is now going on at the local level involving teachers' salaries, et cetera. I suppose OMB and the administration thought about that when they were talking about that particular rescission. Of course, I think the timing is about as bad as it could be.

The second concern I have is that the administration talks about States and localities having an option of making choices in the use of funds under the ECIA, chapter II block grant. My only concern is that that would be true if the money were there and were available. But, when you talk about in fiscal year 1982 we had a 20-percent reduction below 1981, and in 1983 we're proposing even a greater reduction, in reality State and local agencies aren't really going to have many choices because, of course, the money is being so reduced that those choices, in my estimation aren't there.

Then, the third area I have a concern is, when you talk about consolidating voc ed with adult ed, the programs really aren't in many instances too similar, because in adult ed many times it is literacy skills that they are working on. My concern is that when you talk about block granting them, and then when you go from $739 million down to $500 million, we could create some real problems at a time that when the economic recovery takes place we're going to need every trained and skilled person we possibly can find if, in fact, we're going to really have a good recovery.

That brings me then to the final note, that whether it is prudent or whether it isn't, we can't afford the Defense budget at the expense of the education budget, and I think that is probably the de-

cision we will have to make on the Hill. Perhaps some day we will pay a price for it; I'm not sure. But, I don't think at this point we can afford to sacrifice education for anything beyond a strong conventional defense.

Now, those weren't questions; they were comments. If you want to comment in the minute or two I have left, please do.

Secretary BELL. Mr. Goodling, I appreciate your comments, and I recognize your long experience in education as a former school administrator and school superintendent, so I know you feel very deeply, as I do, the significance of our budget reductions.

I might just indicate that the proposed rescission is a $381 million rescission on chapter 1, so that that number is on the record accurately. I might just take a minute to indicate the rationale for the consolidation of the vocational education and the adult education program.

It has been our experience that adults who are lacking in adult literacy—and that's what the adult education is for—the main reason that they lack this literacy is that their employability is low; they're either unemployed or they're in minimal jobs. We found that if we can tie the teaching of the basic skills to something very practical and applied to the lives of the learners, that there would be more motivation and an opportunity for better learning to take place.

We felt, given the budget realities, austere as they are, that a consolidation of those two programs so we could get a good coordination of the job-applied vocational aspect of teaching and learning to the basic mathematics, English, and science that relates to adult education, maybe this would bring about a good coordination of the two programs. We think they are related and we think that it makes sense to put the two together, particularly since the dollar amounts that we are proposing are reduced dramatically.

Mr. HAWKINS. Mr. Ford.

Mr. FORD. Thank you very much.

Mr. Secretary, it is a pleasure to have you here. I have said before publicly, and I repeat again, that I find you to be one of the finest educators we have ever worked with in any administration.

Secretary BELL. Thank you, Mr. Ford.

Mr. FORD. And I comfort myself with the thought that you have to operate with a loaded gun pointed at your head most of the time or you wouldn't be here advocating a position which is literally a revolution in the Federal Government's relationship to our schools.

I would like to just call your attention to the opening of your statement, where you first say that "* * * education is primarily a responsibility of teachers, parents, State and local officials, and educational institutions." I think both you and I believe in that very fervently.

Then you talk about the new role that the Federal Government should play under a foundation, and in the second paragraph of the first page of your statement you say:

> This includes carefully targeted Federal assistance—such as providing a core of continuing research and statistical services; compensatory programs for the disadvantaged and handicapped; student financial aid through grants, loans, and work study; block grants and consolidated aid to state and local educational agencies; and civil rights complaints investigations and negotiations for voluntary compliance.

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You and I have talked about this before.

If you take the subject matter covered in your third paragraph out of your Department, what do you have left that you hear complaints about from State and local agencies with respect to Federal interference? What kind of common complaints, in other words, do you get from State and local administrators that are not covered in the area that you're going to retain in this new Foundation?

Secretary BELL. I think the main complaints that we have been receiving relate to some of the specifics in the legislation, that school administrators and school board members have indicated prescribe too much from Washington, particularly with respect to education for the handicapped——

Mr. FORD. With all due respect, in all honesty, if you analyze the complaints you get on Public Law 94-142, for example, are the complaints generated by the statute or by the regulations?

Secretary BELL. Well, they are generated in many cases by the courts' interpretation of the statutes and the regulations. I would concede that some of it is the regulation. And when I concede that, then you can turn back to me and say, "why don't you do something about it?" We're in the process of doing that.

For example——

Mr. FORD. That's not really my point. I want to know really whether you believe that the Federal Government's intrusion, as it is interpreted by people out at the State and local level, would be reduced by transferring the present authority from a Department of Education or its former home, the Office of Education, to a foundation. Indeed, the pitch for this shift from a department to a foundation, is based on the premise that somehow the Federal Government will be easier to do business with in the field of education.

In my years of dealing with people who complained about the kind of regulations that caused them trouble, they fall in the area of these functions that you propose to keep at the Federal level in the Foundation. Therefore, that leaves me with the question: How will the Foundation be better able to deal with that problem than the Department of Education is?

Secretary BELL. Any result that happened there would not be a result of creating the Foundation, but what changes we might make in the legislation. The President feels that the rationale for creating a Foundation for Education parallels the rationale that created other foundation-type entities in the Government, for the arts and humanities and for science, and the Corporation for Public Broadcasting. So that was the rationale for the foundation.

Mr. FORD. Please let me interrupt you again, because my time is short.

I understand what the President——

Mr. HAWKINS. You have exceeded your time already. If you wish Mr. Bell to comment on the last one, he may comment.

Mr. FORD. He started to, and then started to explain——

Secretary BELL. I apologize for long-winded answers that use your time, Mr. Ford, because I enjoy the dialog with you.

Mr. FORD. I understand your responsibility to try to explain the President's rationale, but we get that on television regularly.

What I want is your view, as an educator, about how transferring these functions to a foundation from the Department of Education would lessen the Federal intrusion in local decisionmaking.

Secretary BELL. I think the Congress tends to write its legislation having in mind the entity that is going to administer it. I think you can find it in the language that is written that directs foundations to do things versus the language that is written to direct line agencies to do things.

Mr. HAWKINS. Thank you.

Mr. Ashbrook, you can have your 5 minutes.

Mr. ASHBROOK. Thank you, Mr. Chairman.

I welcome you to the committee meeting, Secretary Bell. I would say at the outset that one of the main concerns I have and I think Republican members have on this side is that we have seen this after the fact and have had minimal input in it. A lot of us would like to help you out, but to the extent that we have next to no input in decisions that are being made, both at the staff level and speaking as ranking member—and I think individually for the members—it makes us rather hard pressed to take a look at the product.

My old friend, Charlie Halleck, when I first came to Congress used to say the same thing about Republican and Democratic Presidents. They tend to bring you in on the landing but rarely on the takeoff. It would probably have been more helpful from our standpoint if we had a little input in this, or at least more input, before we saw final figures and decisions that were made, many of which I personally can't support.

I think that while we overall accept the notion of trying to reduce, and we want to help you reduce that, I would say after that point it seems to me some priorities have been given by either your Department or OMB which are not necessarily the priorities of many of us on this side.

Now, I know we are all operating under budget restraints, and I know you have received figures that you have to target, but I would just say, to the extent you want some help on this side, it would be a little more helpful if we got a little input before we saw final figures that were presented.

Secretary BELL. You're staff has delivered that message to me very effectively, and I am also conveying that message to others in the administration. I hope that we can improve in our communication in that regard. I would acknowledge that there is room for improvement in my behavior in that respect.

Mr. ASHBROOK. Well, I don't think anybody that I know, including the chairman of the committee or the ranking member, blames you. I think we all know we're in a period of trying to reduce spending and whether it is OMB or what, it is just my point and I make it for the record, and very honestly and candidly, as a person who helped you last year and wants to help you this year. Last year, of course, we figured it was the first few months and we would overlook the degree of indifference to what Republican members thought, but a year later I probably have a little bit less likelihood that I would overlook that.

Frankly, particularly in the area of block grants, particularly in the area of vocational education and handicapped, I think there

are some decisions that are being made there that are going to have some rough sledding, both on the committee and in the Congress and, indeed, among the Republican members.

I would just ask on vocational, not to take more than 5 minutes on my first round, you have been in education for quite some period of time, and is it your position that vocational education does help reduce unemployment, or is it insignificant in the case of unemployment?

Secretary BELL. Oh, I think there is no question about it helping reduce unemployment.

Mr. ASHBROOK. Well, if you're looking at the figures—we all make speeches and we hear the President, and the past President, and they generally say that 1 percent unemployment increases costs to the Government—I think Mr. Carter used to say $20 to $22 billion, and now I think Mr. Reagan says $24 to $26 billion, probably with inflation. At any rate, it has been a generally accepted fact for at least 6 or 8 years, that every 1 percent of increase in unemployment triggers automatic built-in costs for any administration, be it a Carter administration or a Reagan administration, of $25 to $30 billion.

On the basis of what you just said, if we spend $750 million on vocational education and it would reduce unemployment—and I have used several figures—by only one-thirtieth of 1 percent, or one-twentieth of 1 percent, the program will have paid for itself. Do you agree with that, or is that basically——

Secretary BELL. Yes; I would agree with that. I would just indicate that we now match on a 1-to-11 ratio in vocational education, and looking at the pressures on this $10 billion budget, I had to face the adjustments that we made in vocational education versus some additional cuts, deep as they already are in title I, versus the handicapped versus the decisions that we had to make on the student aid programs.

After a lot of deliberation and somewhat agonizing about it, we concluded that, everything considered, this was the best allocation of the limited resources that we had. If we're in error there, of course, we propose and Congress disposes. We are well aware of that.

Mr. ASHBROOK. I would say, Mr. Secretary, as a friend—I mean, nobody can look at you and say you're in error. We all have different ideas. I would reduce some that frankly other members on my side would not reduce. I would increase where frankly some members on my other side would not increase. We all have different points of view. As is generally known, I don't have any love for bilingual education or think it is as necessary as some. I would reduce it deeper. Others would increase it.

I would say in the area of vocational education I do think you come closer to a consistent point of view on this committee. I know you know Chairman Perkins well enough that there are a few trip wires he has, and one of them is on vocational education.

Secretary BELL. Yes, I am aware of that.

Mr. ASHBROOK. There are very few trip wires I have, and one of them is on vocational education. So I would say you have tripped a pretty good wire there.

With that, with a smile on my face, and recognizing the problems my friend has in trying to reconcile all these differences with OMB, the White House, his staff, Republicans, Democrats, the Congress, I wish you well. [Laughter.]

Secretary BELL. Thank you.

Mr. HAWKINS. Mr. Simon.

Mr. SIMON. Thank you, Mr. Chairman.

I join in wishing you well, Mr. Secretary. You and I have had several discussions already on this budget. There is no question in my mind that the figures we see now would be appreciably worse were it not for your presence in that office. I am grateful for your presence.

You have been basically handed the package of $10 billion, as you have said, and you have had to come up here and try and sell it. It remains, as you are hearing from both sides of the aisle, a bad package. I think that's the fundamental situation.

I will cite three instances, two of which are from my subcommittee, one of which is from a subcommittee on which I serve, and that is handicapped education. Those immediate figures look like we're having only an $11 per student reduction. But that assumes the rescission, and if you do not assume that rescission, you get a reduction of $76 per handicapped child—a reduction in Federal assistance. I really don't believe the people of this Nation or the people of this Congress want that.

Second, in the area of student assistance, Pell grants, according to your office for the 1982–83 school year, those from families of $9,000 income or less will receive $1.4 billion in Pell grants. Yet that is the total that we are being asked for in the 1983–84 school year.

Finally let me cite another area where you and I have had some discussions already, the graduate student program. I would point out to my colleagues that there are only three States that make loans under a graduate student loan program, the auxiliary loan program. One of those three is the State of Massachusetts which has made a grant total of two loans.

I would finally, Mr. Secretary, ask you a question I asked you the other day before the Budget Committee, where in fairness, you didn't have time to look to see if there were any precedents.

We are being asked to cut education 32 percent over a 2-year period, from fiscal year 1981 to fiscal year 1983. Do you know of any precedent in all of history where any nation has decided they're going to build a better future for their Nation by cutting back educational expenditures 32 percent?

Secretary BELL. Well, first of all, I would say that I don't think we can accurately say that the total appropriations in support of education in this country is being reduced that amount. Admittedly, we are proposing to reduce our support, the 10 percent of the total of that amount.

We would point out that there has been some progress in the inflation rate. That was one of the purposes of the President's economic recovery program. We are hoping that as the program moves and as we begin to recover from this very dismal economic picture, that the tax base will be strengthened where it really

counts, and that is on the State and local level, and there will be more funds available.

I hope we will have an opportunity to correct the record on the number of States that are available for providing auxiliary loans, because we have different numbers there than you do. Maybe there will be a chance for that before the hearing. If not, we will send a response.

Mr. SIMON. I would be interested in any correction you want to make there, but I am also interested, if I may follow through, on your assumption that State and local governments are going to pick up the difference.

Do you have any evidence from any State that that is happening?

Secretary BELL. I am not indicating, Mr. Simon, that State and local governments will be picking up the difference. I am indicating that if we can strengthen the tax base that the decline, the otherwise decline in local revenues, will be ameliorated. I can tell you from my own experience, as the chief executive officer of a statewide higher education system before I came here, that we had reductions in our budget for 3 consecutive years—that was before the economy is as bad off as it is now—because of a decline in revenue and a fall off in sales tax, because we weren't building homes and we weren't selling automobiles, the big ticket items. That is the point that I'm making, not that the States are immediately going to pick this up. I would be naive to sit before this committee and say that.

I say that in the long haul, if our economic recovery program works, we will ameliorate the rate of the decline in local revenues that is available for education, and that will begin to turn around and it is that local and State tax base that we need to be primarily concerned about, not to obscure the fact that we're making painful cuts, but it is that local and State tax base that puts up that 90 percent and that is suffering also at the present time.

Mr. HAWKINS. The gentleman's time has expired.

Mr. Coleman.

Mr. COLEMAN. Thank you, Mr. Chairman.

Mr. Secretary, thank you for being candid and available for our questions today, but I would like to go on record as saying, as Mr. Ashbrook indicated, as one who helped the administration and helped in at least securing most of the requests last year in the student loan and student assistance area, that perhaps we're going to have a little bit different situation this year. Because I think we have made about as many cuts as we possibly can in this program without endangering I think the long-term security of our country.

I point out, for example, that we have a shortage in this country of engineering and high tech trained people, and I am concerned about that, as I know you are. Yet the administration comes to the Congress and says they are going to cut out all graduate students from the student loan program. How are we going to accomplish what I think is a national concern by telling graduate students to go out and face this, probably without the opportunity of working outside the classroom, to fund their own way through a graduate program so that they can, in turn, provide the capability, the knowhow, to get this country moving and be secure, from the de-

fense standpoint, from the economic standpoint, for the next 10 or 20 years? It is hard for me to accept that when we're talking about cutting back on the graduate students and totally eliminating them from this program.

Do you have a comment on that—and perhaps you could tell us how many grad students participate in the GSL program.

Secretary BELL. Yes. I would indicate that there would still be up to $8,000 in federally insured loans, partially subsidized even at the 14-percent level for graduate students on our program.

Now, I was faced with that alternative versus cutting undergraduate student support in the loan program, and given that, given the fact that the graduate students move through graduate school and into employment sooner, and choosing not between the best choices but the difficult ones that I had, I felt it was better to move the graduate student to the auxiliary loan, where all students, regardless of income level, can still qualify for up to $8,000 in a loan, to help to sustain them in school.

I want to emphasize that I am aware that this 14-percent loan is going to be difficult for some graduate students, but I had to weigh that against the undergraduates and I felt in the long haul that we would be better off to do that and to hold the undergraduate student support for the loan program where it was, particularly when I weighed the dilemma that I was in as I looked at the basic opportunity grant program and the cuts we also had to make in the campus-based program and the work-study. So we felt, with the tradeoffs that we had, that that was the best we could do.

I just emphasize for the record there is still up to $8,000 in federally insured loans available to graduate students, albeit at a very painful 14-percent rate.

Mr. COLEMAN. You mentioned the work-study program, and again I think it is contrary to the philosophy of this administration, that we are going to tell young people that they can't work to provide some of their own assistance. I mean, this is the bootstrap argument of the Reagan program, to help yourself.

How do we go out and tell these young people that we are not going to give them the opportunity to help themselves by cutting some $700 million, I think, from the work-study program?

Secretary BELL. Well, we are not cutting $700 million——

Mr. COLEMAN. Excuse me, $132 million. I had my figures mixed up on another program. That $132 million is about 25 percent, probably, of the program? It's difficult to answer that, isn't it?

Secretary BELL. Well, again the tradeoff of the cut in the work-study program had to be weighed at the other areas. The thing I wanted to do in these very difficult, austere times, is to provide the most assistance that I could to college students with the $10 billion budget I had. I felt that with everything we had to face that I was still better off to keep the loan program where it was. Had I added to the work-study program, I would have had to take it from the others.

You see, Mr. Coleman, in my negotiations inside the administration, I arrived at a maximum budget of $10 billion. I don't criticize my colleagues in the administration for that. We are faced with some horrendous deficits and some real fiscal problems. So I had to

start and work with the $10 billion budget. It is a matter of those tradeoffs again.

I feel that I still provided the most aid that I could for the students. I could have gone over into title I and the elementary-secondary, but we have been invading that side of our budget too heavily already.

Mr. COLEMAN. Well, I appreciate the hot seat that you're put on and having to come up here and represent and support figures that necessarily, privately, you may not—or in the context of the discussions with the rest of the administration—would not bring forward. I understand that. Perhaps maybe who we ought to have here are some of the other people who required these figures to come forward.

But I do note that this committee, both sides of the aisle, I think, are going to provide you a little bit more of the resources in order to carry out some of these duties. I assume that you won't kick and scream too much if we do that for you.

Secretary BELL. I would just say, Mr. Coleman, that my colleagues in the administration, we started out talking about an $8.7 billion budget, and as we talked about the problems and the implications of this, we were able to bring it up to $10 billion. That was painful to do that as we looked at all of it. I don't want to pass all the blame on to my colleagues in OMB and other places.

Mr. HAWKINS. The gentleman's time has expired.

Mr. Miller.

Mr. MILLER. Thank you, Mr. Chairman.

Secretary Bell, it seems there is little purpose to be served by continuing to ask you specific questions about either your statement or the budget that you have submitted to us, since it is clear that the budget cannot be justified either by you or others on the basis of the merits of what it presents to us.

I think it is clear from what has already been said—and we should not belabor the point—that certainly this committee ought simply to reject outright this budget and consider rewriting a budget proposal of its own, which I hope and expect we will do, because I think it is also clear that this budget fails in every category. It fails to continue the method by which we have achieved success in the title I program. I think it is short-sighted without respect to those successes—and your own audits of the program have proven or at least conceded that successes have been obtained. We jump ahead to adult education and talk about literacy problems and problems of computation that adults are having, and we have an opportunity within that same population to solve those problems among our young children, and now I don't see that this budget allows us to continue to do that.

I am very concerned when we suggest that the title I problems can be solved by disseminating cost-effective projects, some which cost as little as $250 per child, some that may be around $400 per child. I think in many instances, you are reversing what has been the benefits of local flexibility, the ability of local school districts to prescribe methods of instruction and curricula which have led to the successes of title I.

I think clearly this budget, as Mr. Coleman and Mr. Simon and others have pointed out, fails in its ability to provide the higher

educational opportunities for many people in this country. The graduate student provision is very disturbing. I suspect if families could borrow money at that rate they wouldn't come to the Government.

I just think we ought to reject this budget. I think the members on this committee know it needs to be done if we, in fact, are going to have a first-class educational system in this country. It is one of the few institutions which rarely has ever done better with less. It is an institution that is beset by cost problems at the local level, that cuts at the Federal level only serve now as a catalyst to pit poor children against handicapped parents at the local level, to pit the questions of who goes on to higher education against who will receive title I funding. I don't think that's the role of the Federal Government.

I guess what is most disappointing is that I think to come and submit a package that has these kinds of fiscal constraints on it: One, I think it severely compromises your reputation as a very good advocate for education; and two, I think it is the height of hypocrisy for an administration that gave away the kinds of revenues it gave away last year in the tax bill, revenues that were given away—and now we can't find the author of the proposal anywhere in Congress, anywhere in the administration—that has been denounced by every Republican leader in both Houses, to suggest that somehow these kinds of cuts in education must be made to make up for these overwhelming deficits and their drain on the Federal dollar, although education did not contribute to those deficits at all.

I don't envy you in your position, not at all. I think we have got to go back to deciding what are the resources that are necessary to deliver quality education, and then I think the Congress has got to get a little rigidity in its spine and go forward with that program, because I think it is very clear that that program will be endorsed and favored by the American public.

We cannot talk about artificial budget constraints within this program and try to go out and tell our constituents that, in fact, we're doing them a favor, that we are cutting the budget so they will be better off, because it is very clear, with respect to education, that there is not a person on this committee who honestly believes that is the case.

I think the response from people on this committee who bought that line last year, they are clearly seeing the realities of the impacts on this institution in our society.

As I said, I don't envy you. I don't think you can supply the answers within the confinements of a $10 billion budget that we need to have to even continue our service on this committee, if we believe it is our job to educate the Federal constituents, in this case, if you will, the handicapped and the disadvantaged and those special populations that have never fared very well under the old federalism. So I would hope my colleagues on this committee would decide that the time is now to reject this effort and go back to writing our own.

Mr. HAWKINS. Mr. Bell, if you would like to give a brief response, we will allow it at this time.

Secretary BELL. The overall impact of the deficits, the alternative of increasing this budget and others and forcing the deficit to be higher, given the unanticipated depth of the recession that we're in, those were the problems that we faced. I would say, on behalf of senior White House staff and colleagues at OMB, that this budget and others weren't put together without concern and feeling for that.

We have also looked at what is going to happen if we keep forcing interest rates up, and if we force inflation back up again. We have been on that for a long, long time. So that is why we had to come to the admittedly austere budget that we have. That's the only response I can give.

We weighed that. We considered what the impact would be with even a larger deficit than the one that we have, and that is what you get unless you cut some other place.

Mr. HAWKINS. Mr. Bell, in fairness—and I hope the Chair will be forgiven for this comment—Mr. Stockman of the Office of Management and Budget, was invited to come before this committee. Most of the questions do relate to the financial condition of the Federal Government. But unfortunately, Mr. Stockman, who was scheduled for March 10, has declined to come before the committee.

It is the hope of the Chair that he will avail himself of the opportunity to be questioned concerning many of the questions that are being propounded to you concerning the fiscal situation as opposed to the educational aspect of it. But I thought it was wise to make the statement that this committee has sought, through its Chairman, to have Mr. Stockman explain the financial situation before this committee. It is still the hope that he will avail himself of that opportunity.

Mrs. Roukema.

Mrs. ROUKEMA. Mr. Secretary, you are a patient man and I want to commend you for the dignity with which you have responded today.

But, Mr. Chairman, I would like to have introduced in the record—and I will send this to you, Mr. Bell—a copy of a letter that has been co-signed by the majority of the members of this committee with strong bipartisan support.

It is a letter that requests the Appropriations Committee to disapprove the changes that you have recommended or requested in the student loans programs effective April 1. I would please request that you and your Department take back the message to OMB and whoever else needs to be advised that it is quite doubtful that there can be any changes made above and beyond what we all worked so hard to do last year in terms of reforming the student loan program. We have gone about as far as we can go, certainly for this year, and no changes should be entertained before October 1. It would be disasterous not only for the students but for the validity of the program and the financial soundness of the program.

[The letter referred to follows:]

MARGE ROUKEMA
7th District, New Jersey

COMMITTEE:
BANKING, FINANCE AND URBAN AFFAIRS

SUBCOMMITTEES:
HOUSING AND COMMUNITY DEVELOPMENT
ECONOMIC STABILIZATION
GENERAL OVERSIGHT AND RENEGOTIATION

COMMITTEE:
EDUCATION AND LABOR

SUBCOMMITTEES:
ELEMENTARY, SECONDARY AND VOCATIONAL EDUCATION
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**Congress of the United States**
**House of Representatives**
**Washington, D.C. 20515**

February 26, 1982

The Honorable William H. Natcher, Chairman
Subcommittee on Labor, Health and Human Services,
and Education
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

As Members of the Committee on Education and Labor, we are disturbed by the Administration's proposal to enact immediate, drastic changes in the Guaranteed Student Loan (GSL) Program through the appropriations process.

As part of its request for an additional $978 million in FY 1982 funding for the GSL Program, the Administration has requested that the appropriation include language instituting certain changes in the program, effective April 1, 1982. These proposed changes include such significant measures as elimination of graduate student participation in the GSL Program, an increase in the loan origination fee from 5% to 10%, and a requirement that all students applying for loans demonstrate financial need regardless of their family income.

These proposals will require considerable discussion in our Committee and it is possible that they will be either rejected or replaced with alternative cost-saving measures. It is essential that all changes in this program which is so vital to the needs of higher education in America be enacted through the normal authorizing process.

We also object to the proposal to impose an April 1, 1982 effective date on substantial changes in the program. The very existence of the Administration's proposal creates a serious potential for disruption in the financial planning of students for the 1982-83 school year. Furthermore, as we learned last year, many banks will discontinue processing loans until there is certainty as to the effective date of any new provisions.

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Therefore, we respectfully request that your Committee reject any proposal to provide changes in the operation of the GSL Program through the appropriations process. In addition, in order to allay uncertainties within the banking community and among students planning to attend higher education institutions next year, we request that the Committee provide a supplemental appropriation for the program as soon as possible in an amount sufficient to meet the needs of the program through the rest of the fiscal year at current operating levels. We appreciate your attention in this matter.

Sincerely,

Marge Roukema, M.C.

Carl D. Perkins, M.C.

E. Thomas Coleman, M.C.

Paul Simon, M.C.

Dennis E. Eckart, M.C.

John N. Erlenborn, M.C.

Ted Weiss, M.C.

Mario Biaggi, M.C.

Ray Kogovsek, M.C.

Baltasar Corrada, M.C.

Joseph M. Gaydos, M.C.

William F. Goodling, M.C.

Austin J. Murphy, M.C.

Lawrence J. DeNardis, M.C.

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The Honorable William H. Natcher
February 26, 1982
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Arlen Erdahl

Arlen Erdahl, M.C.

James M. Jeffords, M.C.

Peter A. Peyser, M.C.

William B. Ratchford, M.C.

Augustus F. Hawkins, M.C.

George Miller, M.C.

Larry F. Craig, M.C.

Pat Williams, M.C.

Dale E. Kildee, M.C.

Ike Andrews, M.C.

cc: The Honorable Jamie L. Whitten, Chairman, Committee on Appropriations
Members of the Committee on Appropriations

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Mrs. ROUKEMA. Second, I would indicate to you that as I speak with students, parents and business leaders in my district, they are absolutely appalled at the depth of the proposed cuts for the student loan program and the Pell grants. They are appalled not because they have any less commitment than we have to the need to reduce the budget deficits and the need to bring down those interest rates—those businessmen are eager to make the capital investments and expand and provide jobs—but they also tell me day after day that they need highly skilled, trained personnel, whether it be through the vocational ed program or, more specifically, through graduate student programs. They say we are bartering away our future, that we cannot tolerate these cuts, and no one, particularly low- or middle-income families, can afford graduate student tuition costs without the cash flow help that the loan program provides.

So I must tell you that there is a broad constituency there, Republican and Democrat, for continuing this investment through the loan program for both undergraduates and specifically for the graduate student program.

Thank you.

Mr. HAWKINS. Mr. Weiss?

Mr. WEISS. Thank you very much, Mr. Chairman.

Mr. Secretary, I think one of our problems on both sides of the table is that we tend to be so inordinately polite with one another that we really miss the very serious educational differences that we have over this issue.

I don't blame Mr. Stockman for not coming here. Here you are, a perfectly nice gentleman, who has the respect and admiration of this committee, and you come in and you tell us that you wish you could do better but those other fellows won't let you do any better, so you have done the best you could within the constraints that they have set on you. Stockman couldn't improve on that, so why should he come?

Now, I suggest to you that if you go through your testimony of last year, before this committee, you will find that you repeatedly made assurances to this committee that you did not foresee, that you would not support, that you would not expect any increases in cuts anywhere akin to that which you were asking of us last year.

You contradicted the suggestions as to the minimal impact, for example, that there would be by taking away social security, educational benefits, and said yes, it would have a greater impact. And now you come back, not as an educator, but you come back as a budgetary hostage, and you tell us that you can't justify this budget you are bringing to us on the basis of education, but you're justifying it to us on the basis of budgetary considerations, on the basis of the deficit.

Well, those deficits, Mr. Secretary, were created by the tax cut of three-quarters of a trillion dollars that were forced upon this Congress last year by the administration, and with the knowledge aforethought and expressed that by forcing that kind of a tax cut on us, there would be less money left for education and other programs.

I just don't see how you can sit there and, if you're unhappy with what they're forcing you to do, to the extent of going back on com-

mitments you made, that you can just continue to sit there and sit in your office and continue to hold the office, when I gather that you're in total disagreement with what is being forced on you educationally.

I would like your comments.

Secretary BELL. I am pleased to comment to that.

First of all, I have reviewed my testimony of last year, I did it yesterday in my budget briefing. Particularly did I review some responses to Congressman Hawkins, where I indicated that it was my hope, not my promise, that we wouldn't be back here with more budget cuts. So I just have to take issue, Mr. Weiss, with the comment that I solemnly promised that there wouldn't be budget cuts. Certainly I can't promise that.

Mr. WEISS. Did you expect that you would be coming anywhere near to the massive budget cuts that you are proposing to us?

Secretary BELL. I didn't anticipate that we would have the reductions in economy and revenues and the projections that we have at the present time. I don't think anyone, economists from many sides of the spectrum, anticipated the kind of recession that we're facing at the present time.

Mr. WEISS. Didn't you tell us, for example, how important the continuation of the NDSL program was?

Secretary BELL. Would you repeat that question?

Mr. WEISS. Didn't you tell us how important it was to continue the NDSL program, the national direct student loan program?

Secretary BELL. Yes, and I——

Mr. WEISS. And aren't you now before us asking that we eliminate—that we not put any further new moneys in there?

Secretary BELL. Again, I would say that given the resources that we had, I felt we will, and still feel, that we will get more loan capital for the dollar if we use the capital in the private sector rather than directly appropriating funds. We can subsidize interest and provide more loan capital by staying with GSL and the auxiliary loan than we would by appropriating the money to NDSL. That was a deliberate decision on my part. I stand by it.

I still think, given the total circumstances, that it is a wiser move to subsidize loans than to appropriate the precious resources we have, when the same dollars will get many more loan dollars for students by subsidizing the interest rate.

Mr. WEISS. Mr. Secretary, didn't you last year express grave concern about the increased indebtedness that we were placing on students, especially graduate students, with a 9-percent interest rate, when we were raising the cumulative loan limit to $25,000, and here you are this year urging a 14-percent interest rate on a $40,000 total amount?

Secretary BELL. Yes, sir, and I still have that concern about student indebtedness.

Mr. WEISS. Do you think that, in fact——

Secretary BELL. There's no question about it.

Mr. WEISS. Do you think that, in fact, those students can carry the weight?

Secretary BELL. You see, the NDSL program still has revolving funds, and we shouldn't indicate or leave the impression that there are no loan funds there. In fact, there will be $405 million availa-

ble in revolving funds. Given that, we did feel that the decision we made would provide the most aid to students.

Mr. WEISS. I must tell you, Mr. Secretary, if the Russians had 30 years ago, in some way, found a way to capture the minds of Ronald Reagan, of Secretary Bell, and David Stockman—and I'm not suggesting that they did—but if they had, they couldn't do a better job of destroying the future of this country than what, in fact, is being proposed to this committee. [Applause.]

Mr. HAWKINS. The gentleman's time has expired.

Mr. DeNardis.

Mr. DENARDIS. Thank you, Mr. Chairman.

There seems to be at least two budget rules that OMB is applying to the fiscal year 1983. For education and a number of other domestic programs, it is some arbitrary figure, which is the product of some kind of compromise, I guess, between OMB and the subject matter department, a figure which I think is pretty much plucked out of the air, at least as I am able to review the budget. I have reviewed your budget very, very carefully, program by program, the current figures, the continuing resolution figures, your request, and then applying some rules of my own.

In those areas where I think programs are working, I have assigned a 4.8-percent increase. In other areas where I think programs are working but do not represent a high priority, a lesser increase. And then I have agreed with you in some few areas, very few, and approached the matter I think the way you should have approached the matter, and OMB should have approached the matter, and that is to look at the worth of programs in terms of what we are doing and what the alleged purposes of the Federal role in education are.

The second budget rule that OMB seems to have applied, or the administration seems to have applied, is precisely that rule with respect to the defense budget. So I am troubled by the inconsistency here.

I am not going to go through chapter and verse. I disagree with almost everything in the budget as written, particularly in the area of Pell grants, GSL, education aid to the handicapped, and chapter 1.

I just want to state to you a visit that I made yesterday to a school in my district, a school on a street called Barnum Avenue, named after the great P. T. Barnum, the great showman. It comes out of Bridgeport, into Stratford, Stratford being in my district.

I went to the Franklin School there to visit the title I program, in a school that was built in 1910. I say 1910 because you make a point out of saying there may be cost-effective ways of lowering the cost of compensatory education in this country, on page 5 of your statement. I went into the basement of the Franklin School on Barnum Avenue, into the basement of a school built in 1910, in a room that was one-eighth the size of this room, and I saw through the course of 2 or 3 hours 39 children being served by the chapter 1 program in that school.

I just can't imagine how this program that I saw yesterday could be more cost-effective than what I saw. I didn't see a lot of frills. I saw a program that was pretty basic, but there was a good deal of interaction between the teaching supervisors in that room and the

children, and a broad range of problems to be dealt with, because compensatory education covers a number of defects, language, cultural, even a smattering of what we might term special education not yet identified as special education, emerging LD problems that have not been so labeled.

So I say to you, Secretary Bell, with all due respect, I don't know how that program at that school could sustain, if it sustained the equivalent of a 31-percent reduction, where 12 of those 39 students who are now being served, how they would be served, in what way they would be served, because I saw no capacity in the rest of the school, which was a fairly conventional setup, to deal with those 39, less 12. It doesn't make any sense. It simply doesn't make any sense.

I am not going to be argumentative with you. You've got your thing to do and you're doing it, and hopefully you'll get through this day and we'll all be in reasonably good humor on both sides of the table. But I can tell you here and now I don't know of anybody on this committee—save one or two possibly—who could support the budget that you have presented. We're going to have to go through a major rewrite and we're going to need the cooperation of both sides of the aisle, obviously, and your Department, because you're going to have to resign yourself to the fact that the education budget is going to be rewritten. We hope that we can have a constructive relationship as we rewrite it. [Applause.]

Mr. HAWKINS. The Chair would simply for the record like to remind the audience that they are guests of the committee, and the Chair would hope they would use some restraint. Holding up your hand and waving it obviously is not a violation of the House rules, but any loud, vociferous applause does violate the rules. So the Chair would like to remind the audience in their enthusiasm simply to use a little restraint.

Mr. Bell, would you care to comment?

Secretary BELL. I would like to respond to one point that Mr. DeNardis made, lest I be misunderstood. I don't want to come before this committee and say "Hooray, I have found a magical solution and we can reduce the amount of money that we spend per child on title I programs by $125." That isn't the point that I am making. The only point I made is that we do know of programs that have been evaluated, that are successful at the $400 per child level, and that is the approximate level that this budget would take the program down to.

Now, to go from there and to say that these programs would be better, or allege that they would be just as good as a support of $525 per child, isn't the point I am trying to make, Mr. DeNardis. I am just saying that I looked at that as I weighed all of the problems that I had to face, as I looked at the alternatives of where to bring the budget down.

Now, I would just emphasize again that we need to keep in mind that this economy supports education as well as other functions, and we need to worry about the size of this deficit and what it is going to do to interest rates, and what that is going to do particularly to our housing and automobile industry. That is what is going to get people back to work, and when we get people back to work

and increase our productivity, we're going to find more revenues, hopefully.

Mr. HAWKINS. Thank you.

The Chair recognizes the chairman for his comments.

Chairman PERKINS. First let me apologize, Mr. Bell. We have two important hearings this morning, one upstairs on mine safety, and the other one here.

A couple of weeks ago this weekend I had the privilege of conducting hearings a couple of days on the President's budget in the educational area, introduced dozens of business people—for instance, people from Ashland Oil and IBM—and many of those business people were supporters of the President of the United States. They felt it would be a terrible mistake to cut back on a lot of these programs, especially the training programs, in the long run we would throw more people on relief, will cut the tax base back by not letting youngsters become taxpayers.

How do you feel about that situation yourself? We had wanted to question Mr. Stockman along these lines, we had some questions for him, and that was the reason that I conducted those hearings, to see if he agreed with the businessmen that were supporters of the President. But since he is not here, I would just like to ask you how can we reconcile this situation when businessmen feel we are making a mistake by jerking the rug out from under these youngsters this day and age.

Secretary BELL. Well, I would just indicate that beyond the OMB level, in our discussions of the funding level of this budget, OMB is where we were successful in bringing the budget to $10 billion. On behalf of the President, I would just indicate that he is concerned with these cuts; he has expressed them to me. These same business people are also emphasizing the interest rate problem and the inflation problem. So as we concentrate on the economy, we have budget restraints.

I would just say that we discussed all of the matters related to unemployment and what happens to training and education budgets and what the implications were. As low as you feel this budget is, if it weren't for genuine concern for educational goals of the White House, it could be lower. This administration during the past year has learned a great deal about the Federal role in education, and our commitment to that role is indicated by the fact that we didn't propose in the President's New Federalism proposal a devolution of more Federal programs out to the States than are there. So I would just indicate on behalf of the President he has a commitment to education. I think his record as Governor of California for 8 years would stand up pretty well in that regard. He is not antieducation by any means.

Chairman PERKINS. Let me ask you another question.

In his state of the Union message and in his budget documents, if I'm not mistaken, they include drastic reductions in Federal education funding, the turning back of many Federal education programs to the States, the eventual termination of these programs at the Federal level, abolition of the Department of Education, and the support of tuition tax credits.

Now, taken together, I would like to know whether the administration believes there is any Federal role, interest, or responsibility

in education, or whether these programs would help to rejuvenate that economy in this country? What are your views along those lines, since I enumerated what the President has proposed?

Secretary BELL. I think the acceptance of the Federal role is indicated by the willingness to continue to support student aid, aid to the handicapped and disadvantaged, and those other programs that have for a number of years been traditionally supported by other administrations. I see no indication from my discussions with the administration of a proposal to move away from those areas, notwithstanding the fact there were three programs proposed in the New Federalism proposal that would be devolved out to the States over a period of time. Those other programs that are largely the ones that I have mentioned are going to continue to receive support during this administration.

Chairman PERKINS. One more question, because I want to stay within the 5-minute rule here.

Now, the President's budget message states—and I quote:

> Our 1983 budget proposals continue the objectives set out previously to reduce the swift growth of automatic entitlements, while preserving benefits for the truly needy. Our Administration has not, and will not, turn its back on our elderly, our needy citizens.

Now, your education budget proposals fall short of this stated policy. For example, the main Federal education program that ties funding eligibility with low-income criteria, title I, is slated for a 33-percent cut. I would like to know how you can reconcile your title I recommendations with your promise to protect the needy when we are only serving about 30 percent of the disadvantaged youngsters of the country and in 95 percent of the cases never reaching the secondary level, practically and exclusively in the elementary level, up to the fifth grade and can't go beyond because of inadequacy of the funding there. I would like to hear you comment on that.

Secretary BELL. Yes, sir. The adjustments that we made in the Pell grants, for example, gave priority to low-income and minority students, where funding is assured for those students at the income level that I indicated. Granted, the reductions that we have recommended in the title I program are as you stated. We still tried to keep within the limits of the dollars that we had, the priorities that we had in mind that related to these population groups.

At one time in our deliberations, for example, we were discussing a smaller title I proposal. Indeed, we increased the title I proposal considerably from where it was because of our very concern for this.

Mr. HAWKINS. The chairman asks unanimous consent to proceed for one additional question.

Chairman PERKINS. I just want to make one additional comment in conclusion. I have observed the statements of several of our minority members, and it is my feeling that Mr. Stockman realized that he was being deserted by the minority to the extent that they do not want to go below the continuing resolution level, none of them that I have received any message from.

With that situation in mind, do you feel that you may be able to revise your estimates and come up with some new figures that are more realistic insofar as educational cuts are concerned?

Secretary BELL. We are committed to standing by our budget as of today, Mr. Chairman, and so we are not contemplating revising. If this committee and others in Congress need some advice and technical assistance from us on different budgets, we would respond to that. But we won't be proposing any revisions upward of our budget levels.

Chairman PERKINS. Thank you.

Mr. HAWKINS. Thank you.

Mr. Craig.

Mr. CRAIG. Thank you very much, Mr. Chairman.

Secretary Bell, it is a pleasure to have you before the committee again. It would be more of a pleasure if the circumstances were a little different. I, like a good many Members on this side of the aisle, have reacted to your budget proposals in a negative sense because of some of the fundamental changes that are in them which I can't accept. I suspect the "trip wire" that was referred to by the ranking minority member a minute ago, as it relates to vocational education, is becoming a "trip rope" to many of us. I, for one, will not sit on this committee and risk participating in the damaging of the traditional role of vocational education and the traditional institutions within that system that have served this country for a good long while.

I do, though, appreciate your comments a great deal. Since you come from the State perspective and myself having come from the same type of perspective; serving on an education committee in a State senate over the last 6 years, and in the last 3 years having to cope with declining revenues, while at the same time trying to convince the Federal Government that they were participating in a condition that was causing those revenues to decline, that somewhere, at sometime we would have to get our house in order.

As the chickens came home to roost in my State some 3 years ago, they are now here. That has brought us to the point where we are today—having to make some very tough and very difficult decisions as to priorities and spending levels—that I don't believe this Congress in the last 10 years has been overly responsible in.

I say that because we have not combined our concern for Federal expenditure with a very positive and forthright concern for education. In my mind, those have to remain a balancing factor, and I think they became out of balance.

I am rather parochial in my point of view, and I think justifiably so. So when I was home a couple of weeks ago, I sat down with the director of public instruction for the State of Idaho and I said, "What are we doing to you?" He said:

> You're damaging us severely, and although I am willing to work as much as we can to make it work, I can tell you, Congressman, it will be very difficult to accept a movement from a $25 million level of Federal assistance in my State in 1981 to a $13 million level by 1983, especially given the considerations of the economy in my State.

This is true, as in most other States, and that many States have been on an austere budget for the last 3 to 4 years.

Those things in combination, and with the priorities that I have always placed on education and the areas of education that are served by States, the Federal Government and by local units, I am simply going to have to work for some adjustments in this budget.

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I think the levels that you are proposing are unacceptable. Some of the combinings are acceptable, but some of the program consolidations in my opinion are not acceptable. I repeat again, if they damage or destroy some of the traditional institutions within vocational education that have grown up over the years that I think are very positive and have demonstrated a very positive effect; not only on the people they have served, but on the general economy of this country, then there simply have to be adjustments.

I would work with you, and I think all of the members of this committee certainly would work with you, in making the necessary adjustments. I can accept that when we look at GSL's and we see a 1980 figure of $1.6 billion and a 1983 figure of $3.4 billion, a 900 percent increase, that that's unacceptable. Also, there have to be some adjustments made downward, and we need to make those programs much, much tighter. I, for one, am willing to make those students who are afforded the opportunity of education at a subsidized level, to jump through hoops that they have not jumped through before. I told a group of students yesterday that I would accept legislation that would automatically garnish their salaries upon graduation if they failed to pay for the benevolence of this society that afforded them the education. I feel we would have justifiable cause to do this. I think this is unacceptable. I think it is demeaning of our system when we have people that freeload off it and then walk away from the commitment they made. It is time we got the system corrected and made it so severe that they paid that first, once they were out in the productive sector of our society. Second, they could consider providing for themselves. That, in combination, is the kind of severity I would like to see brought in, that I think this Congress neglected doing over the years and got us into some of the troubles we have today.

I say that, in balance with the budget you have proposed, I can't accept it; but I am willing to work with you in making adjustments in it.

I also understand that $92 billion is an unacceptable deficit level. I recommend for all of you that are in the audience today that there will be tradeoffs that have to be made. If the trades are back toward education, then something has to give somewhere else in the budget. I am willing to recognize that that might come in the area of defense, or a variety of other areas, but it may well come in some areas that in your own minds would do as much damage if it came from this segment of the budget.

With that general statement, I certainly welcome your comments if you feel they're necessary, Mr. Secretary. But I, for one, appreciate the conditions under which you have worked. I worked under similar conditions not long ago in a State that was strapped for funds. A productive economy produces an excellent educational system, because the systems of education in our country live directly from that economy. If we do not have a productive economy in this country, we may well have to expect less for a short period of time of the educational systems that live from it.

Secretary BELL. Thank you.

Mr. CRAIG. Thank you.

Mr. HAWKINS. Mr. Corrada.

Mr. CORRADA. Thank you, Mr. Chairman.

Frankly, I am disappointed, not by, of course, Secretary Bell, who I know is an excellent friend of education, but by the proposals of this administration to substantially reduce our investment in human capital. There is no way that we can have the private sector provide the kind of impetus to the economy if we don't have the human resources so that the private sector can provide that through their activities. Those human resources will not be there unless we have a strong educational system and services of education so that our children, particularly poor children, like those I represent in Puerto Rico, will be then available to go and get jobs in the private sector, rather than depending on food stamps and other welfare programs.

In that sense, I see this retrenchment on the part of the Federal Government in the relatively small role in supporting the States and local communities in providing and improving educational services to the people of America, and I see this retrenchment with disappointment.

Mr. Secretary, I would like to ask you, in the bilingual education program, which is currently serving only about 10 percent of the eligible population of the 3.6-million limited English proficient students, and yet you are recommending a deduction in funding for the program which will further reduce participation to 172,000 students. The proposal is to reduce from the current level of $138 million to $95 million, which is a reduction of over 30 percent, although, of course, the reduction would be less if you take into account the rescission that you're asking of $11 million even for the 1982 budget.

Now, could you please outline the justification you have used in reaching this level of funding request and your rationale for cutting back on a program which addresses one of the most basic needs of the low-income minority students to learn how to speak the language of the society in which he or she lives? Bilingual education is not a program to keep our children away from becoming proficient in English. It is a program that is an important stepping stone into getting those children not to drop from school because they don't understand the language, but by retaining them through bilingual education to make them ultimately proficient in English. I am concerned that these proposals will hinder the education of the minority Hispanic and other children of the Nation.

Secretary BELL. I might indicate that I have been struggling to keep our program to serve the students. The reductions that we have for the bilingual program are within the ballpark of the other reductions that were made. There are those who have been pressing me to zero out the program for limited English-proficient students. Given the Supreme Court requirement, and given the demands that we have, I have resisted that proposal and would just indicate that again, as I have said with the other programs, with the dollars that we had, we felt we kept in balance the commitment to this student population.

Mr. CORRADA. Mr. Secretary, in connection with the follow through program, I see that you're asking for a budget rescission of $19 million currently provided for the program so that you're zeroing this program in your request for a budget rescission for 1982 and, of course, asking for zero funds for 1983.

In the Reconciliation Act last year, both Democrats and Republicans agreed that the follow-through program should be continued through 1984, and then placed into chapter 2 of the education block grants. This is demonstrated by the budget figures for 1982, 1983, and 1984.

Insomuch as this is a direct contradiction to the intent of the Reconciliation Act, do you intend to seek legislative change and, if the rescission takes place, what will happen to the 36,000 children currently enrolled and attending followthrough classes?

Secretary BELL. The followthrough program can be funded under the block grant law that was passed by the Congress. This will be at the discretion of State education agencies to whom we will allocate these funds.

Again, it was a matter of priorities, and the block grant program has received about the same amount of funding priority as the other areas. But follow through can be funded under the block grant if States give it high enough priority that they want to do it, since we pass the discretion on to them.

Mr. CORRADA. But with the diminished resources under the block grant, and the rescission of the $19 million for follow through, do you think it is realistic to assume that there will be the financial capability at the State and local levels to do that, Mr. Secretary?

Secretary BELL. I am confident that many of the State education agencies are going to continue to fund follow through based upon the experiences they have had with them and their closeness to the follow through programs.

Mr. HAWKINS. The gentleman's time has expired.

Mr. Murphy?

Mr. MURPHY. Thank you, Mr. Chairman. Good morning, Mr. Bell.

I would first like to call your attention to funding for the NIE, if I might. Over the years Congress has established the various priorities of NIE, being eight in number, starting with basic skills and on down through various educational needs that we have felt.

We are pleased to see that the funding for NIE is being continued, but it has been recently called to my attention that a Mr. Ed Currin, who is now director of NIE, has issued a different priority scheme, one that I'm afraid at this point I do not understand. Is it true that he did issue a memorandum or letter through the staff of NIE indicating that priorities for the new program would be based on excellence and freedom? Is there such a memorandum?

Secretary BELL. We are still working on the priorities for NIE, and I have yet to conclude my deliberations with Mr. Currin on this. The priorities have not been finalized as yet.

I might indicate that I have a strong commitment to educational research——

Mr. MURPHY. I know you do, and I appreciate that.

Secretary BELL [continuing]. And I have been able to move that program from where at one time we were talking about cutting the budget in half, to where we do have the funding level that you're familiar with.

We are still discussing the priorities for NIE, and I know that basic skills will be given a lot of consideration in those deliberations.

Mr. MURPHY. Are you then advising us as of this point that the memorandum submitted by Mr. Currin is not the policy of the Department, is not the policy as of this date of NIE?

Secretary BELL. Yes, we are still discussing what our priorities ought to be and haven't finalized that. I haven't concluded my deliberations with Mr. Currin yet.

Mr. MURPHY. I would hope then, Mr. Secretary, that you take into consideration the fact that Congress has established priorities, that many of the areas of excellence and freedom that I believe the memorandum was pointed towards have already been studied and cross-studied. We hope that NIE will remain as the research agency that it should be.

Next I would like to call your attention to vocational rehabilitation, which also falls within the scope of my subcommittee. Unfortunately, between 1975 and 1981, inclusive, we had a real decrease and decline in purchasing power for vocational rehabilitation. We saw during that 6-year period a 16.5-percent decrease in the number of persons served, a long 6-year regrettable decline in a very worthwhile 60-year old program of rehabilitating through education and training our handicapped persons. And now I find with great distress that the present budget appears to show a reduction of an additional 350,000 cases or handicapped persons who will be ineligible for services in fiscal 1983.

What is likely to happen now to those handicapped persons who will again be in a greater decline than the 16 percent? Where are they going to find the training and education necessary to make them productive members of our society, and if we fail to do that, what further burdens are going to be placed on Government to care for them as unproductive citizens?

Secretary BELL. I would like to call on Sally Christiansen to respond to that question. She is most knowledgeable about rehabilitation.

Ms. CHRISTIANSEN. I would just add that the 350,000 decrease that you are talking about includes almost 300,000 of the nonseverely disabled population, which is more borderline. A much smaller percentage of that is the severely disabled.

I would also add that we have more than 30,000 State agency personnel who are working within the service network of the rehabilitation program to provide services to handicapped persons in an effective and efficient manner, so that we hope that the additional management kinds of techniques and the greater coordination and flexibility that will be provided by our proposed block grant in the consolidation area will also provide some savings in that area.

Mr. HAWKINS. The gentleman's time has expired.

Mr. MURPHY. I will submit further written questions. Thank you, Mr. Chairman.

Mr. HAWKINS. Mr. Kildee?

Mr. KILDEE. Thank you, Mr. Chairman.

Ted, it is always good to have you before the committee. I think, though, for President Reagan to have chosen you as Secretary of Education is like choosing St. Francis to lead the fox hunt. It is just very inappropriate. I know you're uncomfortable, but you have been placed in the position of presenting and defending these cuts so we have to ask you tough questions. I wish you would get off the

horse and join us foxes, though. I think you would feel a lot more comfortable.

Secretary BELL. I am reminded, Mr. Kildee, of the quip we use out in the West, that "it's good to be among friends, even if they aren't your own." [Laughter.]

Mr. KILDEE. I'll send that to the staff for analysis, Ted.

When considering funding for the Department of Defense, the White House tends to look at need or supposed need first, and then at the cost. In looking at need and supposed need they consult with the generals as to what the needs may be. That is in the Department of Defense.

Lets look at one program in the Department of Education, title I. It seems to me that you looked at costs first and then, sadly, looked at need and effectiveness. Now, in doing that, did the White House, did you, did Dave Stockman, consult with the generals in that area? Did you consult with the people who are delivering title I?

I ask that because the title I director in Flint, Mich., the second largest school district in the State of Michigan, had no consultation at all in any of these cuts to title I. Now, if we ask the practitioners in the Pentagon, why don't we do that in education?

Secretary BELL. We have ample opportunity to discuss the needs of education inside the administration, not only myself but my colleagues here at the table, and the assistant secretaries and others in the department, as we discuss our needs and our budget hearings and budget reviews with OMB, so we have ample opportunity to describe those needs.

I guess I could say a little bit humorously that maybe the reason Mr. Weiss suggested that I step down, that maybe there are those who feel I am not persuasive enough in carrying that out. But I would say to you in all candor that we have had ample opportunity to talk about the condition of education and the needs of education and those have been explained inside the administration. I don't know how that compares with Cap Weinberger's opportunities when he is before OMB and when he is in the budget appeal process, but I would have to say that I have had plenty of opportunity to have my say.

Mr. KILDEE. I would like to see the U.S. Department of Education compete on an equal basis with the Defense Department for funding. I think it is your role to be an advocate for education.

You know the high regard in which we hold you personally, and that's sincere. But you said you consult among yourselves and——

Secretary BELL. No——

Mr. KILDEE. Ted, it has been 18 years since I taught school. I have to consult with title I teachers and administrators about their programs. I am sure that the information gained from my talks with title I people would be very beneficial to all of you there at the table, to allow you to see how effective these programs are and what a gap will be created when the federal funding is cut as drastically as you propose.

Secretary BELL. You see, we are in constant contact with the education community. We get a great amount of input from school superintendents, title I coordinators and the entire education community. There isn't a day goes by that I am not on the telephone with someone. And that goes with all my colleagues and the various pro-

gram offices. So as we deliberate inside the administration, we are not doing that in a vacuum where we don't have up-to-the-minute input from the education community. That's an ongoing process that just doesn't end, not only with us, but our predecessors and I presume our successors. There is a constant communication.

We are having groups of school superintendents and college presidents and others in constantly, where we are hearing about this, and we are on the telephone continuously.

Mr. HAWKINS. The gentleman's time has expired.

Mr. Peyser.

Mr. PEYSER. Thank you, Mr. Chairman.

Mr. Secretary, I feel, as I am sure this committee does, that we are basically engaged in a war of survival for students in this country. Therefore, in terms of war, my feeling is that if we win this fight, in the years ahead this will basically be considered the equivalent of a Dunkirk in American education.

Yesterday we had thousands of students from practically every State in the Union assembled at the West Front of the Capitol, and they weren't there to burn flags or to decry the older generation or to ridicule our Nation's institutions. They were assembled there to demand they receive the best education this country could offer them. You know, for us as leaders and parents of these young people, I don't think we ever would have envisioned 10 years ago that we would have these kids standing on the steps of the Capitol demanding a right to be educated.

What I am wondering, Mr. Secretary, is that since you are very loyal to this administration, how far does that loyalty really go for a leader such as yourself, who in the past has done much for education, to lead the charge that is going to bring the educational community at all levels, to their knees in this country. I think it is above and beyond the call of duty and I am wondering how far will you go on this? Where do you finally say that education is not being well served in this country?

Secretary BELL. I hope and say respectfully, Mr. Peyser, that perhaps the case is being overstated a bit.

I don't think we're witnessing the demise of American education. Maybe in the midst of all these concerns and the pressure of the budgets and the agony with short revenues and so on that it feels that way. I just emphasize to you that I am not alone in my commitment to education in this administration. There are others that have this concern, not only in the Department of Education but colleagues in the White House and staff members at OMB.

We have not abandoned our commitment to education, for Heaven's sake. We know that the cuts are difficult and painful. But I don't think we are seeing the demise of education or anywhere near it with these painful reductions that we're taking.

Mr. PEYSER. Well, I would be forced to disagree with your statement, Mr. Secretary. As far as the White House has been concerned, I very honestly felt that with the representation of students around the country that were here yesterday, that 3 weeks ago I had requested in a very proper letter to the White House that perhaps four or five of these students could come into the White House and discuss the issue. If not with the President, I realize his schedule might not allow that, at least talk with some members of

the White House, so that they could hear what they had to say on the problem. The White House answered me just 3 days ago. They said they were sorry but nobody in the White House would be available to meet with students to discuss it. They suggested I call the Department of Education. So I am not so sure they have such a great commitment or concern about education in this country.

Let me ask you a question of priorities, because the question came up before with Mr. Kildee and others.

You know, in digging through this, you, as a Cabinet member, know the total picture of this country. You have a grasp on many things, not just education, since you sit in Cabinet meetings with the entire Cabinet. You know, two B–1 bombers, two MX missiles, and one F–16 fighter plane represent the total amount of moneys that are involved in the guaranteed student loan program.

If you're making a question of priorities, can't you make the argument in that Cabinet that here is where priorities are really established, where a million or more students and higher education is at stake because of two planes and two missiles and a fighter plane? How would you choose, given that option?

Secretary BELL. On the overall budget picture, of course, the Budget Director and the President have to make those decisions. We did have established this time a budget review panel, that was different from last year, that was part of our appeal procedure, as a way to make sure that other views besides Mr. Stockman's were heard. All of these priorities were looked at. In fact, it was a revision of those priorities and an aknowledgement of some of the points that we were able to make in those deliberations that brought the budget up to $10 billion. I hear from this committee that you say, "Well, that's not enough."

But some of the problems, some of the entitlement programs that are eating up so many dollars for us is where the difficulty is.

Now, we'll be coming for a $1.3 billion supplemental on GSL, $978 million plus $309 million, for fiscal year 1982, because the demand is so enormous there.

Mr. PEYSER. This is because we basically have to. We don't even have an option. The law is such that these moneys are going to have to be there——

Secretary BELL. That's right, Mr. Peyser.

Mr. PEYSER [continuing]. And that's what we're doing on that issue.

I think basically, Mr. Secretary, you're in a position of defending a "dead horse" and I think we ought to get away from that and recognize this Congress isn't going to support his budget.

Secretary BELL. We would hope you would feel it isn't a dead horse, and that given the circumstance it's an austere budget, but the best we can don under the conditions that we have.

Mr. HAWKINS. The gentleman's time has expired.

Mr. Williams.

Mr. WILLIAMS. Thank you, Mr. Chairman.

Mr. Secretary, let me follow up on this matter of priorities. You have attracted quite a crowd of folks here today, and I see quite a few of them are wearing buttons which extol the virtues of title I.

By tomorrow night the Pentagon will have, this week, spent more money than we will spend on title I this year, and the $10

billion that we're extolling here will be spent by the Pentagon, with the clock starting now, by the Friday after next. So these folks and folks all across the country, and you, Mr. Secretary, and I, all know it is not a matter of not having enough money. It is a matter of not having enough will and not having our priorities straight, period.

Mr. Bell, there is a sentence in your statement with which I am pleased and brings me relief. It says, "We are not proposing to abolish the Federal role in education." I believe you. But there's a problem. For almost 20 years we listened to Ronald Reagan's speeches about education. All those times when Ronald Reagan ran against Richard Nixon as an incumbent, then ran against Jerry Ford as an incumbent, and then ran against Jimmy Carter as an incumbent, we heard his right-wing fear of education in America and we believe he does want to abolish the Federal agenda in education. We trust you, but we are concerned about the President. We are absolutely concerned about the many, many right-wing people which he has placed in high places in this administration, including high places in your Department.

Secretary BELL. Mr. Williams, you can also trust the President. He has a fine record as Governor of California in support of education, and his concerns and his support and recognition of the value of education has been expressed to me several times.

Mr. WILLIAMS. Well, we have heard what he said in his speeches. I have a little more trust in him because he appointed you, but I also believe what he has been saying ever since he supported Barry Goldwater, back when we tried to begin the Great Society, and he campaigned against it; and because of that, when it comes to what he wants to do with the Federal role in education, I think he is wrong and I believe all friends of education should be concerned.

Now, let me just complete this, Mr. Chairman, by saying that this notion of the right wing that the Federal role in education only started a few years ago, and has only recently blossomed, is absolutely incorrect. The first Education Act that came out of the Federal Government was the Northwest Ordinance in 1787. In 1802 the Federal Government started the military academies, and 115 years ago the Congress of the United States established a Department of Education. The Department of Education was established 115 years ago, not 2 years ago. So this country has a long, historical commitment to excellency in education, the equality of opportunity in education, and access to education, and this country does not intend to abandon it, and long after Ronald Reagan is gone the commitment will still be there.

Thank you, Mr. Chairman.

Mr. HAWKINS. Thank you, Mr. Williams.

Mr. Ratchford.

Mr. RATCHFORD. Mr. Secretary, I have been sitting here for the past 2½ hours trying to figure out what must be on your mind. The only thing I can conclude is that you and your associates must feel like the captain and the crew on the *Titanic*. I would suggest to you that it is time to either get off the ship or you're going to go down on the bridge of that ship, because that is the point which you are at at this moment.

Now, will you be talking to Mr. Stockman in the next several days about this deliberation?

Secretary BELL. Oh, I surely shall.

Mr. RATCHFORD. Would you give him a message from the committee? We resent the fact that he can't find time in his schedule to come to the committee that is responsible for the areas of jurisdiction in which there were one-third of the cuts last year and he is back again seeking deeper cuts this year. I think it is unfair to you and I think it is equally unfair to this committee that the architect of this disastrous plan can't find enough time to come and speak to the committee.

Secretary BELL. It might be, Mr. Ratchford, that the day was a day that was in conflict with some——

Mr. RATCHFORD. We tried for 3 weeks, Mr. Secretary, to get him here and he can't find a day that is convenient.

Now, I would like for you to look at the history with me of title I and of handicapped legislation. I was involved at the State level in the sixties and seventies when that fight went on. I would like to know your observation as to whether or not we were talking about a commitment to education and a commitment to civil rights and the rights of the handicapped and special education children. Do you share that point of view?

Secretary BELL. I think that the Education for the Handicapped Act and section 504 of the Rehabilitation Act are expressions of rights as well as authorizations for appropriations. I think they are civil rights for the handicapped.

Mr. RATCHFORD. It appears to me in both areas, namely, title I, disadvantaged, and handicapped, where you talk about a block grant, that if we merged handicapped into any form of block grant, what we are doing is diminishing a commitment to a very special group of Americans who need this obligation. You can shake your head all you want, but that was the record in Connecticut before we had that commitment, and we need that commitment.

Now, you're entitled to your point of view, but I'm entitled to mine on this side of the table, also.

It just appears to me that what we are witnessing this morning is a retreat, a retreat in education, a retreat in civil rights, and a retreat as far as the rights of the handicapped are concerned.

You suggested last year, and you suggest again this year, that the States and the municipalities will pick up in these areas. Has your Department tracked the record of the 50 States as it relates to school lunch, which was cut dramatically last year, disadvantaged, which was cut last year, impact aid, which was cut last year, or student assistance in higher education? If so, I would like to know the benefit of that tracking.

Secretary BELL. I don't think, as I said before in my testimony, I don't think I can honestly say that the States, given their fiscal problems, are going to pick up dollar-for-dollar reductions that we're proposing in this budget. I wish I could say that that would happen, but I can't say that.

On the other hand, I would indicate that there are some problems with some of the specifics of the handicap bill. I don't know if you're familiar with the circuit court decision in Pennsylvania. This decision really needs the attention of this committee because

it is going to prescribe some things that I don't think was intended by the Congress, such as compulsory summer school and air-conditioning and numerous other expenses on behalf of handicapped children.

I would just say to you that I was here when the testimony was given and the Handicapped Act was passed. I would concede to you that the purpose of the act was to correct some neglect that was out there with the States. I want to be the first to admit that. The testimony before this very committee indicated where numerous students were being excluded from school because they were handicapped and not because they couldn't learn. So that correction needed to take place.

But I think that in the way the courts are interpreting the law we are overprescribing and we need some corrective amendments. Those will be contained in our proposals. We think we can change the legislation and still maintain our commitment to the handicapped. There is a right there for handicapped children to have an education. I acknowledge to you that that has been neglected in the past on the part of the States.

Mr. RATCHFORD. Mr. Secretary, I have said to you before that you are greatly respected in Connecticut, and that is the case. I, in fact, talked to Connecticut educators yesterday. But, for example, in the area of handicapped, your own testimony on page 5 talks about consolidating handicapped education with vocational and adult education, and for a decade or longer in this country the handicapped fought for their own place in the Sun. If we consolidate in any fashion we are denying that place in the Sun and I think in the long run we will see a denial of rights in the education area.

Secretary BELL. Apparently my testimony wasn't written to communicate effectively with you, because we are not proposing a consolidation of handicapped with either of those other programs. We are proposing a consolidation within the set-asides of the handicapped bill itself, but certainly not with vocational education or with the adult education.

Mr. RATCHFORD. Well, I will reread that sentence. "We are proposing to consolidate programs in two major education areas: Handicapped education, and vocational and adult education——"

Secretary BELL. You see, there was a comma there in that sentence that indicated two different consolidation programs, one for the handicapped and one over in the vocational and adult area. So there are two different bills and not just one there that we're proposing to consolidate.

Mr. RATCHFORD. That's about as clear as the administration's commitment on education.

Secretary BELL. I think if you will read the comma in that sentence, you will find that it is correct and that we weren't proposing the consolidation of all of those programs into one bill.

Mr. HAWKINS. Mr. Kogovsek.

Mr. KOGOVSEK. Thank you, Mr. Chairman.

Mr. Secretary, I think one of the things that we are not talking about this morning, or one of the things we're missing, is the total snowball effect of the entire budget that the President passed last year, and the budget that we are discussing this year.

Let me make this perfectly clear, that impact aid is not the highest part of my priority list, nor is it at the bottom. But let me tell you that in my district in Colorado—and this is true of many districts in the West—50 percent of my district is either owned or controlled by the Federal Government.

The President talks a lot about defense. He is big on defense. Let me tell you that I represent a good portion of Colorado Springs, and Colorado Springs is big on defense mainly because this Government has been. A lot of people in Colorado Springs consider themselves the hub of the defense system in this country. We have the North American Air Defense Command there, a lot of employees of the Federal Government and, consequently, a lot of students. We have 18,000 soldiers at Fort Carson and 2 or 3 times that many students there. We have Peterson Air Force Base. We have the Air Force Academy. We have several other defense-related facilities in Colorado Springs. This is true of other parts of my district also.

Let me indicate to you that, as you did last year, you're recommending more cuts on impact aid. A good portion of the school districts in Colorado Springs are not going to be able to raise the kind of revenue that they need to make up the tax base they need because of all of the students that are in those areas because of the fact that we have those military installations.

I would like you, the very next time you talk to the President of the United States, to remind him that somehow we have a connection between the safety of this country defensewise and also the kind of education that we can provide for the students, not only in Colorado Springs or Colorado, but the whole United States.

I guess my admonition to you is basically this, that I talked about a snowball effect. When you look at all the budget cuts that we're getting throughout the Nation, all of a sudden we find school districts with a lot less money because the counties have a lot less money, the cities have a lot less money, the States have a lot less money. So when you're cutting back on impact aid and you're cutting back as far as payment-in-lieu-of-taxes is concerned, you're cutting back in the kind of revenue sharing we have been used to as far as the States are concerned.

In the last 5 weeks I have seen five school bond elections, or mill levy increase elections, in my district go down the drain 3-to-1. And do you know who's voting against them? Senior citizens mainly, because they feel they have paid their fair share, as far as educational taxes are concerned, over the past 50 years. And do you know what? They're right. But these kinds of elections are being forced upon us because of the budget cuts that the President is foisting upon us.

I guess my admonition to you is—and I don't know how often you get a chance to talk to the President—but if you would just remind him once again, that I don't care how much money he spends on defense, that we can spend and spend and spend, that until we have a well educated populace, we're not going to have a safe country.

Mr. HAWKINS. Has the gentleman concluded?

Mr. KOGOVSEK. I have, Mr. Chairman.

Mr. HAWKINS. Mr. Bailey. I'm sorry, Mr. Bailey, if I overlooked you before.

Mr. BAILEY. You certainly did not, Mr. Chairman. In fact, I am kind of conspicuous over here on this side. But I understand my colleagues have already been here and have registered support of Dr. Bell and the many things he is attempting to do in the Department of Education. I just wanted to sit down here and say that you are among friends.

Mr. HAWKINS. That will be noted in the record. Thank you.

Secretary BELL. Thank you, Mr. Bailey. Those are the most cheerful words I have heard this morning.

Mr. HAWKINS. Mr. Washington. Another friend.

Mr. WASHINGTON. Yes.

Mr. Secretary, I am certain that this committee will have another million words to give relative to this budget, and should give it, because clearly, everyone here is disturbed by the manner and method by which this administration savaged the funding level of education in this country over the last two submissions of its budget. But I want to go to another area, if I may, because I may not get this chance to confront you again.

It seems to me that in phasing out the Department of Education and transferring the functions to this Foundation, the drafters of this legislation have been cavalier or maybe rather contrived in sort of obfuscating and confusing the role of civil rights enforcement in this Foundation. For example, the Foundation will take the nonenforcement functions of civil rights and the enforcement functions will be transferred over to the Justice Department, as I understand it; is that correct?

Secretary BELL. That's correct, Mr. Washington.

Mr. WASHINGTON. What concerns me is what liaison functions are there and at what point in time in the flow of a particular complaint will this matter be transferred from, say, the Foundation to the Justice Department? Would you give that scenario and block it out for me? I'm a bit confused about this.

Secretary BELL. Yes; in the Office of Civil Rights now, in the Department, when we go to enforcement proceedings, most of the enforcement aspects of the civil rights program are now in Justice, except for those hearings before administrative law judges, which is a nonjudicial but an administrative procedure. Since this is primarily a legal proceeding, we proposed in our Foundation that this aspect of the civil rights responsibility would go to Justice.

This would involve a transfer of some 25 or 30 out of 1,100 employees in the office for civil rights. So it isn't a massive transfer of the civil rights responsibility over there. Most of it is there now and we often refer to Justice—indeed, I referred a matter to Justice just recently where they handled the enforcement proceedings.

Mr. WASHINGTON. But the language stipulates that as part of a due process clause for recipients, the Federal grantees must establish procedures that will insure the availability of sufficient funds to comply with the decision of administrative law judges.

Now, does this mean that funds for programmatic activities such as those under compensatory education would be used for enforcement of civil rights decisions? Moreover, if sufficient Federal funds cannot be made available, is the noncompliant recipient absolved from having to take the required remedial action or is their Federal assistance terminated?

Secretary BELL. No; they would not be absolved from that, Mr. Washington. The fund cutoff would still be carried out in the Foundation as it is now with the Department. But if you get down to fund cutoff, you still are entitled to your due process proceedings, and all of them, save the administrative law judge part of it, is now before the Justice Department. So it is moving that legal procedure over there with the others.

But still, in the case of an institution, that has been in violation, and won't come into compliance, the fund cutoff would still be there and the termination of funds would still be the responsibility of the proposed new entity.

Mr. WASHINGTON. There is an area of vagueness here. In the draft you are writing you don't provide for an office or an individual to oversee these civil rights. That's missing, it seems to me, in this.

Secretary BELL. We would continue to have the total number of employees, and we would continue to have a civil rights entity in our——

Mr. WASHINGTON. But the language does not provide for it.

Secretary BELL. In our draft of the bill up to this point we haven't specified any of the organizational structure within the Foundation.

Mr. WASHINGTON. What will be that structure?

Secretary BELL. We presume that there would still be a civil rights office.

Mr. WASHINGTON. Well, why presume it? I mean, can't you tell me if there will be one?

Secretary BELL. In the draft of the legislation that we have up to this point, we wanted to leave those details open to further deliberation and further determination by the Congress. We certainly didn't intend that we would eliminate the civil rights office. We just couldn't do that.

Mr. WASHINGTON. So your commitment is that you will discuss this with Members of Congress, the relative committees, et cetera, in terms of putting this together?

Secretary BELL. Yes, along with all the other. If you look at our proposal, none of the units like we now have it in the Department of Education are prescribed in the bill, so we haven't singled out the civil rights office for elimination, just as we haven't the others. We will need a postsecondary education function, an elementary and secondary function, and so on, also.

Mr. WASHINGTON. In terms of Presidential appointment, advise, and consent, do you plan to go beyond the Director or below the Director, or just one officer?

Secretary BELL. We had proposed that the Director would be Presidentially appointed.

Mr. WASHINGTON. And that's all?

Secretary BELL. That's right.

Mr. WASHINGTON. Don't you think there are some subdivisions that are earmarked in this proposed Foundation which merit screening perhaps of the person who runs it by the Senate?

Secretary BELL. Yes; and we thought that would likely emerge in the hearing process in getting the legislation enacted.

Mr. WASHINGTON. Thank you.

Mr. HAWKINS. Thank you.

Mr. Bell. Let me return to the original question that I had, which related to title I. May the Chair give this impression, however, of the manner which we have seen—we have strayed, it seems to me, somewhat from the original thought of confining the discussion to education rather than to the budget, and blaming the economy as if the President is not also responsible for the economy as well.

But you indicated that title I, or chapter 1 as we now know it, has worked well, that the cuts will undermine certainly the quality of education as related to chapter 1. And yet you have made no strong defense, as I see it, for this or any of the other programs today.

It reminds me a little bit of the principals involved in the Nuremberg Trials, in which you had the principals pleading that while bodies were being burned—and here today we're burning educational opportunities—that they had no moral responsibility to observe their own conscience, but that they were ordered to do this. In a sense, that's what you are saying today, that you are being ordered to make the cuts, but to live with them without making any strong defense in them. So it seems to me the basic principle is what is the role of a public official, who knowing that what he is doing is the wrong thing to do, still persists in upholding the effects of the administration's cuts.

I have in mind that other members of the Cabinet, when faced with a similar situation, certainly are on record as doing a lot more than what you have done today. Mr. Samuel Pierce, the Secretary of HUD, was faced with cuts. Mr. Pierce, who is known as a rather silent individual—as a matter of fact, he was sometimes referred to as "Silent Sam"—but when certain cuts were made he made his voice very vociferous and he appealed directly to the President. I think Mr. Schweiker, who is well known to this committee, did likewise.

I have not heard of any instance in which you have made a direct appeal to the President—certainly the media has not so reported—and I don't know whether or not you have. I think that is up to you to indicate whether you have or not. But as a member of the Cabinet, you do have the right of appeal directly to the President, not to Mr. Stockman, not to any of the other underlings of the administration, but directly to the President.

Therefore, may I ask you on title I, specifically on title I, if not on the other programs, have you directly appealed to the President, to indicate to him, from the viewpoint of an educator, that you think the administration is wrong?

Secretary BELL. I have not indicated that the administration is wrong. I have appealed——

Mr. HAWKINS. Well, who is wrong if the administration isn't wrong?

Secretary BELL. I would not acknowledge that the administration is wrong.

I have availed myself of all of the appeal procedures. Some of it has been in the newspaper, Mr. Hawkins. Indeed, an exchange of letters appeared on the front page of the Washington Post.

Mr. HAWKINS. The question is, Have you appealed directly to the President?

Secretary BELL. I have appealed to the President.

Mr. HAWKINS. So that we may have as a matter of record that you have appealed to the President the cuts that have been made in title I and the other programs which we have discussed today?

Secretary BELL. I would not want to indicate that I have appealed to the President on every one of these budget items.

Mr. HAWKINS. Well, let's confine it to title I. Let's be specific, and let's confine it to title I, which you have indicated is a good program, that the program is cost effective, that the program certainly should be continued at the higher levels, and it should not be cut.

Is this the statement that you have made to the President or, in essence, the statement?

Secretary BELL. I made an appeal—and I want to be discreet here in what I say about what goes on in our deliberations. I made an appeal to the Appeal Committee on title I, and we have more funds available because of that. I am not saying on each and every one of these budget items that I have appealed them to the President.

I have had an opportunity to discuss our budget with the President more than once, and I can say that there is an openness and there is an ample opportunity for disagreement within the administration. I have appreciated that fact very much. My voice has been heard on several occasions in that regard.

Mr. HAWKINS. Well, I am not asking whether your voice has been heard or not. Your voice might be heard on the street or in some cocktail lounge or—not that I'm accusing you of being a drinker or anything like that. But some people do speak out, not you necessarily, in country clubs or on the golf course and so forth.

I am asking you whether or not you have made a direct appeal to the President and the President is aware from you, as one responsible in the Cabinet for education, is aware of the serious damage being done in the field of education. Is the President actually aware of this by an appeal that you have made to him, as Mr. Schweiker did and as Mr. Pierce did in their departments?

Secretary BELL. You see, each of us have had our opportunities to make appeals. Some programs have been appealed and others have not. I have tried to exercise my judgment as to which programs to appeal and which not to appeal.

Mr. HAWKINS. Well, have you made an appeal on title I, Mr. Bell? I think that's clear enough, and you can certainly say yes or you can certainly say no.

Secretary BELL. I have not appealed title I to the President.

Mr. HAWKINS. So that we are therefore advised by you, as principally responsible in the field of education for title I, as well as other programs, that on title I at least you have not made a direct appeal to the President and the President is unaware of the damage which is being done to this program from your point of view?

Secretary BELL. Mr. Chairman, I didn't take that last conclusion, that the President is unaware.

Mr. HAWKINS. I say as far as you are concerned he is unaware, because you didn't make the appeal.

Secretary BELL. I am not saying that, either.

Mr. HAWKINS. But you realize——

Secretary BELL. Mr. Chairman, we have other opportunities besides the formal appeal procedure to discuss matters with the President. I would say to you that the level of title I was substantially increased in the appeal that I made beyond Mr. Stockman. I looked at what had happened in other deliberations on the budget and what had happened with other Cabinet officers as they made their decisions, and I made a decision and take full responsibility for it, not to appeal that specific item, Mr. Chairman, to the President. I felt it was prudent that I not do that.

Mr. HAWKINS. I submit that if we ever go so far as to be stupid enough to create a Foundation, and if you were to head the Foundation, that you would not even have the right of appeal, so you would take away, as a Cabinet official, the right to appeal directly to the President if you promote a Foundation——

Secretary BELL. I disagree.

Mr. HAWKINS. So it seems to me that you are suggesting being further removed from the White House and from the President, where you would have some voice in the determination of education.

Secretary BELL. I disagree with that, Mr. Hawkins. The heads of independent agencies also have the right to appeal to the President, and some of them have done so. So I would not be denied that right if I were the Director of the Foundation.

Mr. HAWKINS. You haven't indicated where you would have that right if you destroy it through destroying the position of a Cabinet officer who does have the right of appeal directly—and I'm not talking about appealing to those we have not elected. We are talking about appealing to the Chief Executive. You would not have that right through the Foundation.

Secretary BELL. You certainly would. Other agency heads have that right now. They have the same appeal rights. The independent agencies like the National Aeronautics and Space Administration have the same appeal rights that I have.

Mr. HAWKINS. I think if you have caught the message today, it is that at least the members of this committee—and I think that includes most of the Republicans, if not all of them—are certainly not going to sit by and allow another dollar cut in the field of education in terms of these vital programs. I think that message should be conveyed to the President, not to Mr. Stockman, but to the President, so that when he goes next on television he will be thoroughly acquainted with the issues.

Now, maybe he isn't acquainted with them. I am beginning to believe he isn't if those of you in the Cabinet don't take advantage of that opportunity to make a direct appeal to the President. I assume that you assume the responsibility for these cuts that have been made in the field of education, and if the administration is not responsible, then we must hold you accountable for the cuts that have been made and those that are likely to be made hereafter.

Secretary BELL. It is obvious to me, Mr. Chairman, that I am fully accountable for my actions as I use my appeal rights, and I

would not want this hearing record to indicate that I have been denied opportunities of appeal, because I have had opportunities to discuss the problems and the budget levels of education with the President.

Your questions were addressed, Mr. Chairman, under the framework of the formal appeal procedure, and specifically with regard to chapter 1. That's what I was responding to.

Mr. HAWKINS. You admitted that you didn't make that appeal directly to the President.

Secretary BELL. I did not make that specific appeal to the President. In my judgment, it was not a wise thing to do in view of the increases that I had already obtained in it up to that point. And given what other appeals and what had happened to them at that time, I felt in my opinion that I had made the right decision. I still say that, Mr. Hawkins.

Mr. HAWKINS. I take it your answer is that others made the appeal and were turned down, and you thought that since——

Secretary BELL. I didn't say that, Mr. Chairman.

Mr. HAWKINS [continuing]. And since they failed, that you wouldn't make the attempt.

Secretary BELL. Mr. Chairman, I didn't say that others made the appeal and were turned down. I didn't make that expression.

Mr. HAWKINS. Mr. Ford.

Mr. FORD. Thank you, Mr. Chairman.

Mr. Secretary, it has become apparent to observers of this President that he is impressed by analogies and anecdotal examples in problem solving. I have been sitting here listening to my colleagues in their exchange with you and preaching at you from both sides of the aisle, and I suggest an analogy might come to his attention: That if one pictures the children involved in these programs as a person floundering in the water some 20 feet from a dock, and the people standing on the dock, being the local and State educators, who are looking for the resources to save that floundering person, that you were dispatched as their agent in the Federal Government to talk to Stockman and company and you described the situation. Presumably, Stockman and company say "No; this year all we can afford is a 10-foot rope." You argued persuasively with Stockman until he gave you a 15-foot rope, which you are now handing to the State and local governments and saying "Take this 15-foot rope and do the best you can to save that person 20 feet from the dock."

I think those State and local educators are beginning to perceive that, when taken in toto, we go far beyond any direct head-on cut in a program like title I. When you look at the overall impact of this budget proposal on title I, it is not found just in the numbers on the reduction of title I.

You just said a little while ago that you were fully cognizant of the fact that the courts had progressively recognized education as an enforceable right in the courts. One also is forced to observe that, regardless of its unpopularity amongst the population, handicapped education has retained support in the courts. My own experience in supporting that legislation at the State and Federal level indicates to me that the prejudice against handicapped people in this society is almost as virulent as any kind of racial or religious prejudice that one encounters. For this reason, even progressive

States like mine have been forced to read their constitution to be reminded that handicapped citizens are entitled to an education too.

My State's constitution, from the very start has had language saying that every child is entitled to a free, public education. Only very recently have the courts begun to intepret that language as meaning exactly what it says, and excluding the footnote that used to be put there by educators who said "that really means that every child is entitled to free public education unless it is expensive or inconvenient for us to educate them."

So they put them aside. They put the handicapped aside; they put the non-English-speaking child aside; and they put the poor kid who was so far behind that they couldn't participate in a normal program aside. Who recognized that right?

I have school administrators, unfortunately, who have been persuaded by your people going out across the country that there is no real damage in cutting back in handicapped education or in bilingual education, for example, because somebody will make up the difference, or else the State will decide not to have the program.

That is just as phony as a three dollar bill and it is about time that your Department stopped telling educators and school boards that sort of nonsense, in trying to persuade them that you're not hurting them. I submit that the *Lau* decision of California is the reason why we have bilingual education. The same reasoning would be applied that was used in the *Lau* decision to determine that a child who couldn't understand a schoolteacher was being denied under the California constitution their right to a free public education.

In researching the issue I have found there are over 40 States that have the same or similar language in their State constitutions with respect to the right to education. In my own State I have absolutely no doubt that the day that the city of Detroit reduced the program for bilingual education, which now has 72 languages in it, that a half a dozen of those representing the smallest language group would go into a circuit court in Michigan and the circuit court would say to Detroit "You will continue that program." And the city of Detroit will say, "But where do we get the money?"

We don't care where you get the money. There is a constitutional right at stake here and you will do it, just as in the *Pennsylvania* case you just mentioned. And what will they do? They will have to reach out and take the money away from other programs to continue the bilingual program, the very program that this administration finds most onerous. In all of the descriptions of what is wrong with education, they never overlook taking a kick at bilingual education.

At the same time you're saying the local communities probably will pick up the costs of educating the handicapped children, and the same thing is going to happen. If one of my school districts which now has a program with Federal support for handicapped children were to withdraw that program with respect to any child or group of children, there are plenty of lawyers on a pro bono basis who would be in court the next day and there would be a court order mandating that school district to reinstate the program and, at the expense of what? At the expense of the programs for

the title I children, the vocational programs, and all the other programs in the school.

When you look at the incideous way in which these budget proposals, taken in toto, threaten to throw all of these programs into competition with each other for scarcer and scarcer dollars, you have got a blueprint for anarchy out there in education and you also have a blueprint for disaster. You will have the parents of handicapped children fighting with the parents of children who are in the third grade and can't read at first grade level. And you will have the parents of the bilingual children fighting with the parents of the handicapped children, and that's before you ever get to the fact that there will be no libraries left in the school for any of them to use.

What you're coming at us with is a second bite out of the apple, and it's an old apple that should have been discarded after the Nixon administration proposed it to us with block grants back in the early seventies. We rejected it back then because we recognized that if we dismantled the categorical nature of these programs, that they wouldn't last and that the national purpose that was involved would not go with them.

I think that it is sad to have a person with your reputation and esteem in the educational community to sit here and have people suggest to you that you ought to quit. That is outrageous in my view. I know you much too well and have much too much respect for you to make that kind of suggestion at this point.

But I do suggest that, because you are held in such high esteem as an educator, you are dangerous and you are dangerous because you become—and no pun intended—a "bell shape" for educators who say "If Ted Bell is looking out for us, we need not really fear the ultimate weapon which is going to be used against us and the ultimate tragedy." Unfairly, you are perceived to be in a position to be able to turn this administration around.

I looked at the October 18 draft of the transition papers prepared by our friends over at the Heritage Foundation for this administration, and the night that I read them I couldn't sleep, because it was George Orwell's "1984" revisited. If you want to see what the blueprint for a totally pervasive Federal presence in the classroom looks like, you look at that. And what is frightening to me is that this administration is salting the true believers and the revolutionaries—not conservatives, but revolutionaries—into the decision-making process with such rapidity that we may be looking down the road at a Federal Government that does not give local school districts money to help solve their problems but tells them what a teacher will and will not teach in a classroom.

Even in your statement today you suggest something that for years we have prohibited from the Federal level as far as the Department of Education is concerned, in that you are going to show the schools how to teach reading. That sounds innocuous, but it would be putting a Federal agency, for the first time, knowingly in a position to cross that line and start dictating curricula and course content and all the rest of it for the most efficient way to teach reading—citing the example you use.

I need not remind you of the great furor over CHAMPUS, [civilian health and medical program of the uniformed services], which

is one of the things that people still use as a reason for getting rid of. At the Heritage Foundation they apparently don't know that CHAMPUS had nothing to do with the Office of Education, but that's the one that had the course of study, not prescribed but offered, which had Eskimo children leaving their grandmother on an ice flow and a lot of other things that offended our conservative brethren. So it is used as an example over and over of what the Federal Government will do if you give them a chance.

Now, I can't believe that the people who felt that strongly in the past about those outside attempts to suggest forms of cirricula now want to say—as you say in your statement—that we would have a foundation that would work with the schools to show them how to teach better.

One statement is really startling when you say that it is better to have one program in learning how best to teach with a national focus, than to have 16,000 separate programs out there in the schools. That is contrary to every conservative view that I have ever heard in all of my career on what the role of State and Federal Government ought to be in education.

We would not, in my State, permit the State department of education to undertake to tell our individual school districts how they should best go about teaching their children. If they want to teach by method A, B or C, that is a complete local choice. In fact, in schools it is left, in many instances, down to the department and within the department down to the individual teacher and his or her opinion of the best way to reach the population they are trying to teach.

What you are suggesting here—and I am sure you are not the architect of this because I saw it enumerated in the transition papers 2 years ago—is that we now substitute Federal monetary assistance for Federal meddling in what has always been an educational decision made at the local level. While I am just as disturbed as everybody else on this committee about the specifics of the programs that are being cut, what disturbs me even more is that we are becoming involved in the wrong arguments about the wrong things and that the rhetoric is overcoming reason to the point where your Department is actually becoming an enemy of progress in education rather than a supporter. I don't lay that at your doorstep either philosophically or in practice, but I do have the feeling growing in me that maybe if we had a two-headed monster sitting there today that we recognized as an enemy of education we could galvanize the kind of action in this Congress that we need to turn this revolution around. Because I don't think simple adjustment is going to do it. I think it is going to take some time before the American people realize that what we have is not a little tinkering and not a little bit of adjustment, but we have a revolutionary approach to what the responsibility of the Federal Government is and will be in the future to education.

They ought to at least have an honest chance to make a choice. There ought to be a dime's worth of difference between the policies being articulated on that side of the table and the responses you're getting here now, and I submit at this point you're probably the greatest difficulty in that scenario because absolutely no one wants

to overlook the experience and the credibility that you so justifiably command in the education community.

You are hearing from your friends up here the frustration of trying to deal with somebody who seems to be run over by the extremists in this administration. In response to the question from Mr. Perkins, to have you suggest that businessmen are also concerned about the deficit is somewhat surprising. Of course, they are. We are concerned about the deficit. But you scooted over it very quickly here.

In your statement you talk about the tremendous growth in the guaranteed student loan program and the fact that that's what drives the engine of attempts to cut back on it. I took a look here, and from 1973 through 1981, breaking it down by component costs in the program. In 1973 the cost in that program of in-school interest was $209 million. By 1981 that had gone to $665 million. The special allowance to lenders was $33 million in 1973, and it is $1.5 billion in 1981.

The default-related costs are very interesting. They raised from $64 million to only $370 million, and yet your Department is still embracing the idea that somehow we can cut down fraud and abuse and defaults and make up for the loss in the programs. The supporting figures are just not there.

We recently, incidentally, just had the Inspector General from your Department before us——

Mr. WEISS. Would the gentleman yield just for one comment before I leave to vote?

Mr. FORD. Let me just finish this sentence.

Mr. WEISS. All right.

Mr. FORD. The Inspector General testified before Paul Simon's subcommittee that you had 75 people working full time for a year looking for fraud and abuse in the student aid program, and then they produced the result. Some 37 students involved one way or another in fraud and abuse, and 24 of those 37 were noncitizens attending a Rhode Island college. The rest of it was sheer nonsense. The big violators turned out to be little companies like IBM and the rest. A whole year with 75 people. That effort to find fraud and abuse produced absolutely nothing. If with a magic wand tomorrow you eliminated all the fraud and abuse that they found in a year, it wouldn't represent one one-hundredth of 1 percent of any one—taking the smallest—of the higher education programs that they were examining.

I yield to the gentleman.

Mr. WEISS. I thank the gentleman for yielding.

I simply wanted to tell the Secretary that you have placed absolutely within context the question and concern I had raised earlier, about the Secretary being stuck in the kind of position that he is and why I asked as to how long he would, in fact, continue to sit there and would he not consider perhaps at somewhere along the line, if they continue to abuse and use him in that fashion, of stepping aside. No one has a higher regard for his achievements, but I think he is terribly being misused at this stage.

Again, I want to express my appreciation to the gentleman for his formulation. Thank you.

Mr. FORD [presiding]. Thank you.

On page 3 of your statement, the first paragraph, middle of the paragraph, "* * * and paying special allowances to banks and other lenders have continued to grow dramatically." We were so distressed about that in previous Congresses that in creating the Presidential Commission to examine the federal student aid programs we spelled out, among other things, an examination of that phenomenon. So we have been working on it.

You point out that "In 1977, GSL cost the Federal Government $367 million; by 1980, the cost was $1.6 billion." Out of that $1.6 billion, $1.5 billion represents an increase in interest.

And then you go on to say, "* * * and unless Congress enacts significant changes in the program, the cost in 1983 will climb to $3.4 billion—a growth of 900-percent in just 7 fiscal years."

You don't really mean to say that there will be a 900-percent increase in the number of students using the program, or a 900-percent increase in the number of dollars finding their way into education; what you're really describing to us is the impact of an overall governmental policy of tight money and high interest. And since the special allowance is tied to the T-bill rate, we found ourselves late last year with a T-bill rate in the 16-percent range very temporarily. Unfortunately, that, combined with the 3.5 percent, had us paying 19.5 percent for money that, when we loaned it to students, had us paying something like 7 and 8 percent for.

I am afraid that if you continue to be quoted saying Congress can do something about the cost of this program, people are going to believe it. The cost of this program has no relation in real terms, in dollar amounts, to the additional students involved, regardless of family income, to the additional dollars involved going into education. It is the extra money that is going into the marketplace in competition with Federal borrowing.

If you look, in the jump in the special allowance from 1979 to 1980, it went from $401 million to $820 million, and then from 1980 to 1981 it doubled, and my guess is that from 1981 through 1982, although we don't have the figures, it is going to double again. There is no way in the world that we—if we eliminated the program tomorrow and didn't make another new loan—we could save you a couple hundred million dollars in a couple of years, while we pick up another billion dollars or more in those same years in interest on the loans that are already made.

The devil that has to be exorcised here is not within the jurisdiction of this committee in terms of changing the guaranteed student loan program. The devil that has to be exorcised is out there in the marketplace, with something that will bring down interest. If we took your entire budget and threw it into the pot, against a $150 billion deficit this year, and a bigger deficit next year, it wouldn't bring those interest rates down by any appreciable margin. If we can reach out to the other places where the big money is, we might do it.

But you are being asked to be a sacrificial lamb to the tune of a couple of billion dollars that is a teaspoon bailing out of the ocean kind of an operation. You are being asked to participate in it in terms of its impact on the overall cost of interest out there, the principal cost of this program. What we are doing, I guess, is char-

acterized by the fellow who said, "We are shooting the mice while the elephants are walking by."

You are being asked to sacrifice programs where every $100 million that is excised from the program comes out with blood on it, and they drop that much on the floor before coffee time every day in some agencies of the Government, the most noteworthy being the Defense Department.

So I hope that I am not being unkind, because I certainly don't want to be, in suggesting to you that at least, if they're going to run over you, don't continue to be an instrument of their attempts to destroy these programs by lending credence. These statements coming from anybody else in the administration would not even be read by this committee. Coming from Ted Bell they have credibility because of who Ted Bell is and what he's done.

I wish you would ask your staff to look over also, so that you don't repeat, as you did today, what you said a year ago, about saving money through block grants, because a week after you said that before the committee Mr. Stockman came and sat in the same chair and said "No, we never really expected we were going to save any money by block grants. The only way we save money is that block grants permit us to reduce the overall Federal expenditure." As a matter of fact, my recollection is that I sent you a copy of that transcript because you were incredulous when I told you that he had denied your position that we could save 30 percent in operating costs by going to block grants. Your staff has put that back in your statement again this year, after it has already been wiped out.

Now, I understand that it is unfair to hold Stockman to what he said a year ago, but we expect better from your Department. I think that all I am really expressing is the kind of frustration that your friends up here have and I am really hoping, very frankly, that we are going to be able to harness the public opinion which seems to be growing very rapidly and run over the extremists who are trying to destroy and de-nude your Department, and that in the process we don't have to run over you, too.

If you would like to comment on that, or I would understand full well if you did not.

Secretary BELL. I would like to just make a couple of comments.

First of all, I think if there are any savings in a block grant program, it is savings on the local and State level by simplifying the requirements and the reporting needs.

I would indicate that I have never prescribed, nor have proposed, to prescribe teaching methodology from the Federal level. We simply indicated in the testimony, Mr. Ford, that there are a number—not one, but a number of successful programs that have been funded at the level that we talked about, and that possibly we ought to do more to make that knowledge available to others. Whether they use that approach or what approach they use is entirely up to them. I certainly wouldn't want to prescribe that at all.

With respect to the research, I have had a number of discussions inside the administration about the Federal role, and a number of discussions about research and the role of research. I have felt for a long time that this is an area where the Federal Government does have a responsibility and that it makes sense for some research, some questions to be investigated, and that maybe it is

more costeffective not to have that duplicated several hundred times if each of the school districts are doing it independently.

Mr. FORD. But isn't that what we conceptualized in the sixties with title III and title IV of the original Elementary and Secondary Act, that your predecessors would fund exemplary programs that had an expectation of producing, when operated by local people in the complete context of local control, some examples to be followed voluntarily by other people?

Secretary BELL. Yes.

Mr. FORD. Isn't that a better way to go about it, to let them go out and use the combined or the individual wit? There's the old saying about an infinite number of monkeys with typewriters could write a novel. The beauty of our educational system is that it has never been a system, that it ranges from 1-room schoolhouses to 10-story buildings in big cities, and that they apply local techniques to local populations, with some difference obviously in the degree of success.

When you suggest that you're going to get into a field like reading, with a national standard—whether it is voluntary or not—that also carries with it the concomitant responsibility of measuring the application of those standards across the country. What I see lurking behind that is an agency without Ted Bell at the head of it leading us toward some kind of a national testing in the field of reading. I don't think it would be too hard to sell the baloney that the failure to read is an important problem in this country, so important that we do something just that radical.

I am sitting here as a nominal liberal beginning to chaff at what I see as an invasion of the individual ability of teachers to apply themselves to their profession across the country.

We have boilerplate language which used to be required as a condition precedent to getting votes to pass legislation, which spells out all the thou shalt nots for the former Secretary of HEW, then later the Secretary of Education, that would prohibit this sort of thing in your agency at the present time.

If you tried to undertake the kind of venture that you suggested as an example of what the Foundation would do as a principal function, I think we would move to stop you, because I think you would be prohibited by the present law from getting into something that even indirectly moved into curricula.

Secretary BELL. You see, you misinterpret the intent there. The intent is that NIE would fund research projects in critical areas like reading, not that we would do it on the Federal level, for heaven sakes, and prescribe it nationwide. We have never, never suggested that. I certainly wouldn't. The General Education Provisions Act, incidentally, still has those boilerplate requirements.

Mr. FORD. If you do get the Foundation, I hope you will keep in the description of its functions the words "research and statistical services", because the other committee of which I am the full committee chairman has, under the rules of the House, jurisdiction over all statistic gathering in the Federal Government. I would like a second opportunity to monitor the activities. Maybe that might change the definition if they know it's going to come to me. I hope not, because I would look forward to playing games with statistics with that department. I have an expert staff over there that has

been wrestling with census for years, and this town is full of statistical manipulators. I hate to think of us being in a position of doing anything beyond what you have been doing in the past in providing statistical assistance, because the Department has contented itself in the past with making available numbers that people can use and interpret any way they wish, and if that role of the Department were to change so that statistics were being developed to show a better way to do anything, that is crossing a line that I think is really a sacred division which we want to preserve.

Secretary BELL. All we propose to do is continue the function that the National Center For Education Statistics now has. That is all that statement intended to do, to point out those areas in which we feel we have consensus in the administration for the Federal role.

Mr. FORD. Thank you very much.

It looks like we're alone. There are members who had to leave and others who couldn't be here who would like to submit additional questions to be included in the record contemporaneous with your testimony today, and we will forward them down to your Department as quickly as possible.

Secretary BELL. We will respond.

Mr. FORD. The committee will now recess until 8:30 tomorrow morning with Secretary Schweiker.

[Whereupon, at 12:30 p.m., the committee was adjourned.]

[Material submitted for inclusion in the record follows:]

MAJORITY MEMBERS
CARL D. PERKINS, KY., CHAIRMAN
WILLIAM D. FORD, MICH.
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(202) 225-4900

MINORITY MEMBERS
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CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
COMMITTEE ON EDUCATION AND LABOR
SUBCOMMITTEE ON ELEMENTARY, SECONDARY, AND VOCATIONAL EDUCATION
B-346C RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515

March 22, 1982

Honorable Terrel H. Bell
Secretary
U.S. Department of Education
Washington, D.C.

Dear Mr. Secretary:

On March 2, you testified before the Committee on Education and Labor regarding the Administration's budget proposals for education. Due to time limitations, the Members of the Committee were not able to ask all of the questions we had prepared for you.

Therefore, I am submitting additional questions to be answered for the printed hearing record. I would appreciate receiving a written response to these questions by April 15th, so that they might be included in the record.

Thank you again for your appearance before our Committee and for your attention to these additional questions.

Sincerely,

Carl D. Perkins
Chairman

CDP:js

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THE SECRETARY
WASHINGTON, D.C. 20202

APR 15 1982

The Honorable Carl D. Perkins
Chairman
Committee on Education and Labor
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I was pleased to appear before the Committee on Education and Labor on March 2.

I am enclosing the additional questions and answers to be included in the record of that hearing. Written responses have been provided for all questions except those of Mr. Simon which are related to student financial aid. We will forward those responses by April 16.

Sincerely,

T. H. Bell

Enclosures

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EXAMPLES OF COST EFFECTIVE CHAPTER I PROJECTS

Mr. Perkins: The Department's budget documents justify the Title I cutback in part by noting the Department will identify and disseminate "cost-effective" projects, including some that cost as little as $250 per child. By assuming that Title I projects will average $400 per child in fiscal year 1983, the Department is able to contend that only 163,000 children -- or 3 percent of the Title I students -- will lose services. I would like a descriptive list of these "cost-effective" projects you intend to disseminate to be submitted for the record.

Secretary Bell: Listed below and briefly described are several low-cost exemplary Chapter 1 (Title I) projects that have been validated by the Joint Dissemination Review Panel:

Highland Park, Michigan
Project name: High Intensity Tutoring
Cost per pupil: $220
Description:
- o Provides individualized instruction to develop vocabulary, reading comprehension and mathematics skills.
- o Serves sixth, seventh, and eighth grade students.
- o Makes extensive use of student peers as tutors to assist in developing skills and reinforcing correct performance.

Dillwyn, Virginia (Buckingham County Public Schools)
Project name: Computer Assisted Diagnostic Prescriptive Program in Reading and Mathematics (CADPP)
Cost per pupil: $373
Description:
- o Project is a pull-out program which uses resource labs and computer assistance to diagnose reading and math problems among students and provides teachers with prescriptions to help them in meeting those problems.
- o Program has been listed by NDN as an exemplary project since 1979.

Logan, Utah
Project name: Remedial Reading, Secondary Education
Cost per pupil: $338 - $380
Description:
- o Treats problem of reading deficiencies in secondary school students through personalized and concentrated interaction with students.
- o Makes use of teachers and teacher aides.
- o Provides instruction on a daily basis.
- o Provides for a adult/student ratio of one-to-one.

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Columbus, Nebraska
Project name: Administrative Cooperative in Education
Cost per pupil: $285
Description:

- The project provides Title I services to sparsely populated rural districts which are often too small to furnish all the services needed for an effective compensatory education program.
- The project has four basic elements: an administrative model, teacher in service training component, a materials resource center, and a parent involvement program.
- These various elements are used by various rural school districts participating on a cooperative basis.
- Project has been listed by NDN as an exemplary program since 1978.

Des Moines, Iowa
Project name: Title I Compensatory Math Program
Cost per pupil: $406
Description:

- Project identifies students each year who are in need of remedial mathematics instruction.
- Each student receives 30 minutes of daily instruction in small groups (not more than 10 pupils per teacher).
- Emphasis also placed on personal contact between teacher and parents. Title I teachers are allowed one-half day per week to make home visits, hold conferences, and assist parents with materials for use at home.

Ft. Dodge, Iowa
Project name: Title I Reading Project
Cost per pupil: $387 - $484
Description:

- Project provides individualized instruction for disadvantaged students to enable them to become competent readers.
- Language development and comprehension emphasized.
- Project has been in existence since 1965.

Chester, Pennsylvania
Project name: Reading Achievement Program (RAP)
Cost per pupil: $323
Description:

- Is a pull out program that provides intensive remedial reading instruction to educationally disadvantaged children in grades two through five.
- Emphasizes building vocabulary skills and increasing reading comprehension.
- Conducts instructional sessions in small groups (one teacher to six pupils); each session meets daily and lasts 30 minutes.
- Has been in operation since 1978.

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Kenosha, Wisconsin
Project name: Academic Improvement Through Language Experience
Cost per pupil: $442
Description:
- Instruction is tailored to the needs of the individual student and takes place in small groups.
- Project serves approximately 1,200 students during the school year and 450 in the summer.
- Intensive inservice training and parent participation are essential elements of this program.

Portland, Oregon
Project name: Upstairs School
Cost per pupil: $275
Description:
- Project improves reading, mathematics, and English ability of secondary school students.
- Students are pulled out of regular classes and attend a highly structured "school within a school."
- Student participants attend daily 50 minute classes in the area of their needs.

Yeadon, Pennsylvania (William Penn School District)
Project name: Professional Reading Instruction with Desirable Effects (Project Pride)
Cost per pupil: $379
Description:
- Project PRIDE is a pull-out remedial program.
- Pupils diagnosed as having reading problems attend daily 25 minute reading sessions conducted by teachers who specialize in teaching reading.
- Classes are small with five or fewer pupils per teacher.
- Individualized instruction given for those pupils who have severe reading deficiencies.

Winchester, Virginia
Project name: Compensatory Reading and Mathematics Program (CRAM)
Cost per pupil: $567
Description:
- Project is a pull-out program in which students receive instruction in reading and mathematics.
- It serves students in grades one to four in reading and pupils in grades three to four in mathematics.
- Project emphasizes reading word recognition and comprehension skills as well as basic mathematics computation skills.
- Students meet daily for 30 minutes.
- Classes have a pupil-teacher ratio of about five-to-one.

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Ft. Collins, Colorado
Project name: Project PRIOR: Preschool and Improvement of Reading
Cost per pupil: $516
Description:

- The project is a pull out program that provides remedial reading services to elementary school students.
- The project also offers a preschool program to provide children with education experiences needed for later services in school.
- The reading component provides 30 minutes of daily instruction.
- Reading instruction emphasizes applications of reading skills rather than isolated drill.

Des Moines, Iowa
Project name: Title I Compensatory Reading Program
Cost per pupil: $447
Description:

- Project identifies students each year who are in need of remedial mathematics instruction.
- Each student receives 30 minutes of daily instruction in small groups (not more that 5 student per teacher).
- Emphasis also placed on personal contact between teacher and parents; Title I teachers are allowed one-half day per week to make home visits, hold conferences, and assist parents with materials for use at home.

LOCAL USE OF TITLE I EXEMPLARY PROJECTS

Mr. Perkins: According to the Department's 1981 Annual Evaluation Report, about five million children are currently served by Title I. This is with an appropriation of $3.1 billion for fiscal 1981, so that averages out to be about $620 per child. You are saying then, that within a year, local school districts are going to be able to cut the per pupil costs of their Title I projects by about 35 percent, and serve almost the same number of children. I am concerned that even if a school district decided to adopt a lower cost Title I project, it would take some time to completely revamp the Title I program. Did you consider this in making your recommendations?

Secretary Bell: The approaches to providing compensatory education used by school districts in these exemplary projects have been successful. We believe that other school districts can use many of these approaches and adapt them to their individual circumstances in a relative short period of time and at a low cost. Such projects can be implemented fairly quickly because school districts would not have to go through the time consuming and costly process of developing new approaches to providing compensatory education, but could instead implement proven approaches.

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Mr. Perkins: I am concerned that the low-cost projects you have identified may not be suitable to local needs in every school district. One of the basic concepts of Title I has always been to leave decisions about program development, method of instruction, and curricula up to local people. Yet it seems to me the Department could be viewed as trying to impose particular types of low-cost projects on school districts. Do you have any comments on this?

Secretary Bell: We do not seek to impose these low-cost exemplary projects on school districts. What has been suggested is that finacially hard pressed school districts should look carefully at low-cost exemplary projects such as those described earlier for possible use and adaptation to their own situtations. The proposed Foundation will continue to identify and disseminate proven low-cost projects.

EXEMPLARY TITLE I PROJECTS

Mr. Perkins: I suspect that the Title I projects identified as exemplary encompass a wide-range of per-pupil costs. While there are some low costs, there must also be others with higher-than-average per-pupil costs. I would like a list for the record of all the Title I projects that have been identified as exemplary by the Joint Dissemination Review Panel and their per-pupil costs.

Secretary Bell: Following is a list of Title I projects that have been validated by the Joint Dissemination Review Panel:

Greenville, Alabama
Project name: Baptist Hill Kindergarten
Cost per pupil: $804

Sylacuga, Alabama (Sylacuga City Schools)
Project name: Improvement of Basic Skills
Cost per pupil: $243

Bessemer, Alabama (Bessemer City Schools)
Project name: Title I Preschool
Cost per pupil: $466

Tuscon, Arizona
Project name: Catch Up - Keep Up (remedial reading program and in-service teacher training)
Cost per pupil: $409

Flagstaff, Arizona
Project name: Flagstaff Remedial Reading Project
Cost per pupil: $300

Newport Beach, California
Name of project: Project Catch Up
Cost per pupil: $392

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Denver, Colorado
Project name: Pupils Advancing in Learning
Cost per pupil: $235

Westminster, Colorado
Project name: Personalized Instruction: A Classroom Team Approach
Cost per pupil: $264

Ft Collins, Colorado
Project name: Project PRIOR: Preschool and Improvement of Reading
Cost per pupil: $516

Hartford, Connecticut
Project name: Intensive Reading Instructional Teams
Cost per pupil: $438

Thomson, Georgia
Project name: Reading English Rotation Project
Cost per pupil: $194

Albany, Georgia
Project name: Reading -- Individualized Remedial Laboratories
Mathematics -- Individualized Remediation
Cost per pupil: $143

Chicago, Illinois
Project name: Child Parent Centers Activity
Cost per child: $548

East St. Louis, Illinois
Project name: Project Conquest (Individualized Diagnostic and Prescriptive Reading Program)
Cost per child: $637

Peotone, Illinois
Project name: Early Prevention of School Failure Migrant Program
Cost per child: $400

Ft. Dodge, Iowa
Project name: Title I Reading Project - Grade 2 - 6
Cost per child: $387-$484

Des Moines, Iowa
Project name: Title I Compensatory Math Program
Cost per child: $406

Des Moines, Iowa
Project name: Title I Compensatory Reading Program
Cost per child: $447

Wichita, Kansas
Project name: Team Oriented Corrective Reading (TOCR)
Cost per pupil: $317

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Morgan City, Louisiana
Project name: Every Student Every Day
Cost per child: $315

Arlington, Massachusetts
Name of project: Project Understand
Cost per pupil: $493

Warren, Michigan
Project name: A Chance for Every Child
Cost per pupil: $327

Clarkston, Michigan
Project name: Discovery Through Reading
Cost per pupil: $426

Highland Park, Michigan
Project name: High Intensity Tutoring Projects
Cost per child: $220

Lavrence, Michigan
Project name: Needs and Objectivers for Migrant Advancement and Development
Cost per pupil: $182

Columbus, Nebraska
Project name: Administrative Cooperative in Education (ACE)
Cost per child: $285

Linden, New Jersey
Project name: Criterion Reading Project (CRIP)
Cost per child: $420

Geneseo, New York
Project name: Comprehensive Help for Individual Learning Differences (Project CHILD)
Cost per child: $333

New York, New York (Staten Island)
Project name: Diagnostic Prescriptive Arithmetic (DPA)
Cost per child: $450

New York, New York (Brooklyn)
Project name: Title I Childrens Program: Learning to Read Through the Arts
Cost per child: $1,800

Burgaw, North Carolina
Project name: Project Reading Improvement
Cost per pupil: $404

Cincinnati, Ohio
Project name: All Day Kindergarten
Cost per child: $1,000

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Portland, Oregon
Project name: Upstairs School
Cost per pupil: $275

Yeadon, Pennsylvania
Project name: Project PRIDE: Professional Reading Instruction with Desirable Effects
Cost per pupil: $379

Chester, Pennsylvania
Project name: Reading Achievement Program (RAP)
Cost per pupil: $323

Portsmouth, Rhode Island
Project name: Reading Instruction and Pupil Personnel Services
Cost per pupil $660

Newport, Rhode Island
Project name: Student Education Assuring Positive Organized Reading Techniques (SEAPORT)
Cost per child: $482

Logan, Utah
Project name: Improving Reading Achievement Through Use of Teachers and Teacher Aides
Cost per child: $338-$380

Farmington, Utah
Project name: Programed Tutorial Reading
Cost per child: $250

Dillwyn, Virginia (Buckingham County School District)
Project name: Computer Assisted Diagnostic Prescriptive Program in Reading and Math (CADPP)
Cost per pupil: $373

Winchester, Virginia
Project name: Compensatory Reading and Mathematics Program (CRAM)
Cost per pupil: $567

Parkersburg, West Virginia
Project name: Reading Improvement Program -- Secondary Schools Reading Laboratory
Cost per child: $374

Kenosha, Wisconsin
Project name: Kenosha Model: Academic Improvement Through Language Experience
Cost per pupil: $492

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## DISSEMINATION OF TITLE I EXEMPLARY PROJECTS

Mr. Perkins: I would like to know how the Department intends to increase the dissemination of information about exemplary projects and the adoption of low-cost projects when the budget for such activities such as the National Diffusion Network is also proposed to be cut?

Secretary Bell: Although the approximately $9,000,000 requested for the National Diffusion program represents a $1,000,000 decrease from the 1982 level, it is a $250,000 increase over the 1981 level of $8,750,000. The lower 1983 request was necessitated by the overall need to cut expenditures at the Federal level. Despite the proposed decrease from fiscal year 1982 to 1983, we believe that the proposed budget for the National Diffusion program is adequate for carrying out the task of identifying local programs of proven quality and disseminating them to States and local school districts who wish to adopt such programs for their use.

## TITLE I CONSOLIDATION

Mr. Perkins: A year ago, the Administration proposed consolidating Title I into a block grant. Now, Title I is one of the few programs that you recommend retaining at the Federal level. Why did the Administration change its position?

Secretary Bell: Congress, in the Omnibus Reconcilation Act of 1981 voted to maintain the basic Title I program in a more flexible form through Chapter 1 of the Education Consolidation and Improvement Act. We saw no need to propose changes to that legislation so soon after its enactment since Chapter 1 limits the more intrusive aspects of Federal involvement by providing States and local school districts with more flexibility in administering the program at their level. Also the Chapter 1 (Title I) program's overall success, both in terms of reaching school districts with those most in need of compensatory education services and raising the academic achievement levels of its participants, provided a strong justification for continued funding at the Federal level.

## LONG-RANGE PLANS FOR TITLE I

Mr. Perkins: I would like to know the Administration's long-range plans for Title I. One reason for my concern is a statement in the working paper on the Administration's foundation proposal which you sent me on December 15. According to this paper, one of the functions of the proposed foundation would be "interim support of equal education opportunity (compensatory) programs." The term "interim"suggests that you would eventually want to transfer all compensatory education activities to the States. Is this the Administration's ultimate goal for Title I?

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Secretary Bell: As of the moment the Administration has no plans for phasing out the Chapter 1 (Title I) program. My desire is for the Federal Government to continue providing financial assistance to States and local school districts for the type services available under Chapter 1.

STUDENT ENROLLMENT

Mr. Perkins: The Department's budget documents also justify the Title I cutback by noting that as enrollments decline through the 1980's, local school districts will save in their general expenses and use the money saved for educating the disadvantaged. However, the Nation Center for Education Statistics, in its "Projections of Education Statistics" volume, projects that enrollments in grades kindergarten through 8, where the vast majority of Title I projects are focused, will begin increasing in 1984 and continue to increase through 1988, the last year for which they make projections. How do you reconcile these two conflicting statements?

Secretary Bell: Although it is true that enrollments will probably experience an upturn beginning in 1985, the number of students, enrolled in elementary and secondary education is not expected to reach the level of 1980 or the years before during this decade. We do not mean to suggest that school districts can offset entirely the cutback in Federal funds for compensatory education through savings achieved because of declining enrollment. However, we do suggest that in some cases, because of declining enrollments, the closing of unneeded facilities and the need not to hire as many additional teachers provides an avenue for realizing some cost savings that can be applied toward serving the disadvantaged.

Mr. Perkins: Last May 28th, in testimony before the Subcommittee on Elementary, Secondary, and Vocational Education and the Subcommitte on Select Education, you made the following statement:

"I think most of the funding for education ought to stay as it has with the State and local level. But I think there are reasons for us to have Federal assistance programs where we have problems that are nationwide in scope - where the lack of solution is going to result in serious difficulties in our economy and in our competitiveness in international trade. . . " This statement can be found on page 100 of the hearing entitled "Elementary and Secondary Education Consolidation Act of 1981".

Certainly vocational education is addressing nationwide problems pertaining to our economy and our competitiveness in international trade. Why, then, are you proposing to not only cut this program, but to completely turn it over to the States?

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Secretary Bell: Vocational education has always been primarily a State and local program. In recent years the Federal Government has provided only about 9 percent of the funding but has probably caused many administrative headaches: paperwork; confusing intraState allocation criteria; detailed planning and evaluation requirements; matching, maintenance-of-effort, and excess cost requirements which are difficult to interpret; subprograms, and a myriad of set-asides. In this way the Federal Government has inserted itself into State and local decisionmaking, probably to the detriment of the education programs.

Consistent with the President's overall economic program, we are proposing to cut the budget for vocational and adult education.

In order to get the economy moving again, Federal spending must be reduced and the deficit narrowed, and vocational education must take its share of the reducton. Yet because the Federal contribution is so small a portion of total spending for vocational education, we do not believe that these reductions will have much impact on actual delivery of educational services. Furthermore, through our vocational and adult education consolidation bill, the administrative burden on the States would be dramatically reduced, allowing more of the dollars to be used for actual vocational services.

The turnback of vocational education programs to the States should not impede their ability to train workers in a way that helps the national economy. The Federal Government does not now mandate the types of vocational training offered by States under the VEA. Further, only a small amount of money is retained at the Federal level, in Programs of National Significance, and that has been used for research and development. But the real job training programs are State and locally run. This would only be enhanced under the New Federalism initiative.

Mr. Perkins: I would like to get a clarification of how the Administration's vocational education consolidation proposal fits together with the so-called "new Federalism" proposal. As I understand it, you are recommending that this year Congress enact a block grant for vocational education, effective in fiscal year 1983. Then later this year or next year, you would like us to also enact legislation to turn this program over to the States beginning in fiscal year 1984. So we would, in essence, be completely rewriting the Federal role in vocational education twice within a two-year period. What is the rationale for this?

Secretary Bell. The New Federalism turnback would be accomplished over a period of several years. Beginning in 1984 the States would have the option of continuing to participate in programs like vocational education or of receiving an equivalent amount of money from the New Federalism trust fund to use as they see fit. But the Federal vocational education program would not be phased out until 1988.

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In the meantime we see a need for reform of the program. Reduction of the administrative burden, reducing unnecessary costs at all levels of government, enhancing State and local control over educational decision-making, and strengthening the ability of the program to assist in local, State, and national economic development are worthy objectives for the program, even if it will later be turned back to the States. So we believe this legislation is essential. The later turn-back will not require an additional rewrite, but only an inclusion of vocational and adult education in the programs to be given back to the States.

Mr. Perkins: I would like to read some quotes from the President's budget meassage that are pertinent to your vocational education recommendations: "In the near term, the most important setback to our budgetary timetable is the recession now underway. During 1982, receipts will decline by $31 billion and outlays rise by $8 billion due to the fall-off of business activity and the increase of unemployment-related payments. This factor alone accounts for nearly all of the difference between the $45 billion 1982 deficit we projected last year and our current estimate of $96.6 billion." (Page M 12)

"Our goal was and remains economic recovery. . . We seek a larger economic pie to provide all Americans more jobs, more after-tax income, and a better life." (Page M 3)

In his State of the Union address, President Reagan stated, "A change of only one percentage point in unemployment can alter a deficit up or down by some $25 billion."

My question is this: If this Administration is committed to economic recovery and reducing the Federal deficit, and if you acknowledge that unemployment is a major factor in fueling that deficit, they why are you proposing a 32 percent cut in one of the major Federal programs aimed at reducing unemployment and enhancing productivity? I am referring to the Vocational Education Act, which teaches people skills they need to become employed, productive, tax-paying citizens.

Secretary Bell: The reduction requested for vocational and adult education is part of the President's program to reduce Federal spending, thereby narrowing the deficit and curbing one source of inflation. Successful implementation of this program will spur economic growth and increase employment.

Vocational education must absorb its share of the reduction. Yet we are confident that vocational education will be able to absorb this cut with only a marginal impact on enrollments or services. What we are talking about is a reduction of less than $250 million, over two years, in a $7 billion dollar enterprise. That is less than 4 percent. We believe that the administrative returns included in our vocational and adult education consolidation bill will result in cost savings that mitigate much of the effect of this reduction.

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Mr. Perkins: When we examine the funding for the education block grant, it appears that the projections of the critics of your consolidation proposal are coming true. First, for fiscal year 1982, the block grant was funded at $470.4 million which represents a 12% cut compared with the sum of the separate programs for fiscal year 1981. For fiscal year 1983, you are proposing an additional 14% cut. Then, for fiscal year 1984, you are proposing to completely turn back the block grant to the States and essentially terminate a Federal role in education. It seems clear in retrospect that the Administration's plan all along was to phase the Federal Government out of education, and that consolidation is merely a means to this end. Would you care to comment on this statement?

Secretary Bell: Consolidation of cumbersome categorical programs, reduced funding, and transfer of these programs to States should not be interpreted to mean that the Federal Government is abandoning its appropriate role in education. The President's Budget contains $10 billion for programs that are now in the Department of Education for 1983. That amount alone underscores the commitment to education programs that provide compensatory education for the disadvantaged and handicapped, research and statistics, protection of civil rights. In addition to the $10 billion, other billions of dollars of Federal aid to education are provided indirectly. For example, the amount of new loans under the GSL program will exceed $10 billion even though the Federal costs are about $2.5 billion.

Additional Federal aid to education is provided through research grants to universities, school lunch support, and programs of other Departments. Although scaled back, the funding for education continues to reflect a ongoing Federal role in education.

SECRETARY'S DISCRETIONARY FUND

Mr. Perkins: The Omnibus Budget Reconciliatin of 1981, which the Administration supported, requires funding for three programs under the Secretary's discretionary fund of the Chapter 2 block grant to be "at least in amounts necessary to sustain the activities described. . . at the level of operation during fiscal year 1981." Yet the Administration is violating this provision by requesting reductions for the Inexpensive Book Distribution program, the Arts in Education program, and the Alcohol and Drug Abuse Education program. Given inflation, there is no way operations could be sustained with funding below the fiscal year 1981 level. Why are your recommendations contrary to the authorizing legislation?

Secretary Bell: Since most of the education programs are being decreased below 1982 and the block grants to States are being reduced 8 percent below 1982, we believed the funds for Inexpensive Book Distribution, Arts in Educatin, and Alcohol and Drug Abuse Education should take a similar reduction. This also meant that the Discretionary Projects under the Discretionary Fund could be reduced by only 9 percent in total, rather than a larger amount, as would have been required if the three priority programs has been held harmless.

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These reductions are part of the Administration's efforts to assist in economic recovery through reduction of Government spending.

WOMEN'S EDUCATIONAL EQUITY

Mr. Perkins: The Administration is proposing to rescind the full fiscal year 1982 appropriation for Women's Educational Equity and is requesting no funds for fiscal year 1983, "on the grounds that these programs can be supported under the block grant authority." I would like to remind you that the activities authorized by WEEA are not specifically mentioned in Chapter 2. In fact, there is no language about improving the educational opportunities of women in Chapter 2. Therefore, I question whether Women's Educational Equity is actually an eligible activity under the block grant. The Administration's contention that it is causes me to wonder just how loosely you are interpreting the block grant legislation. Are you saying that school districts can fund just about anything they want with their Chapter 2 money?

Secretary Bell: We are aware that Women's Educational Equity has not been consolidated into Chapter 2. However, many of the activities previously supported under Women's Educational Equity can be supported under the activities authorized by Chapter 2. These include, among others, those contained in Subchapter B -- Section 577(2), improvement of local educational practice; Section 577(4), comprehensive guidance, counseling, and testing programs; Section 577(5), programs to support the planning, management, and implementation of educational programs; Section 577(6), teacher training and in-service staff development; and in Subchapter C -- Section 582(1), career education, and Section 582(3)(E), training and advisory services under Title IV of the Civil Rights Act of 1964.

While we agree that the legislation places restrictions on activities that can be funded, we believe that there is considerable flexibility within the array of eligible activities, and this permits a wide variety of activities that meet State or local needs.

IMPACT AID -- PAYMENTS FOR "b" CHILDREN

Mr. Perkins: The Omnibus Budget Reconciliation Act of 1981, which was supported by this Administration, calls for a three-year phase-out of payments for Category B students under the impact aid program. The rationale for this three-year phase-out is to give school districts adequate time to compensate for the loss of funds. Now you are requesting an immediate and total elimination of Category B payments in fiscal year 1983. As you know, impact aid is a current-year funded program, so school districts would have very little time to rearrange school budgets for this September if your proposals are adopted. How do you expect school districts to deal with this situation and why did you reject the provisions of the Reconciliation Act?

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Secretary Bell: We are proposing the elimination of payments for "b" children in 1983 because of the limited resources available for this program. We feel the Federal Government has a greater responsibility for "a" children than for "b" children and therefore we want to target what funds there are on "a" children. Also, the formula contained in the Continuing Resolution for 1982 will result in a decrease of payments for "b" children by approximately two-thirds from 1981 to 1982, a greater rate of reduction than that contained in the Reconciliation Act. The elimination of "b" payments has been proposed by Administration after Administration in previous years, proposals the school districts are well aware of.

TRANSFER PROPOSALS

Mr. Perkins: One of the Administration's goals has been to increase the efficiency and reduce the administrative confusion in the Federal bureaucracy.

The Administration's budget document entitled "Major Themes and Additional Budget Details" states that "the Foundation's organizational structure will be trim and efficient." Yet, in the name of increasing efficiency, you are proposing to take one program--impact aid--which goes to one group of recipients--local school districts affected by Federal activity--and transfer portions of it to three Federal Departments: Treasury, Defense, and Interior. It seems to me this will inhibit coordination and decrease efficiency. Do you have any comments?

Secretary Bell: The portions of the impact aid program we are proposing to transfer to three other Federal agencies are distinct activities and complete within themselves. Each is proposed for transfer to an agency that operates programs similar in type or purpose. We anticipate that this will result in elimination of duplicative services, positions, and administrative expenditures.

BILINGUAL EDUCATION LEGISLATION

Mr. Perkins: According to Deputy Under Secretary Gary Jones, the Department intends to send up legislation to amend the Bilingual Education program. Could you give us any details about your legislation proposals in this area?

Secretary Bell: This proposed legislation has already been sent to the Speaker of the House and the President of the Senate. The proposal would amend the Bilingual Education Act in three respects: modify the definition of a program eligible for funding, target the program more specifically and authorize bilingual vocational training programs under Title VII.

The change in the definition of eligible programs would give local school districts greater discretion to design their own programs. Districts could apply for funds to operate programs which use English exclusively including English as a second language and immersion programs.

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The targetting provision would give priority to funding projects which serve children who are both limited English proficient and whose usual language is not English.

The authorization for bilingual vocational training would provide new flexibility to operate such programs under Title VII similar to those which we have previously operated under the Vocational Education Act.

Mr. Perkins: Last May 20th before this same Committee, you stated, "What we would urge is that the Committee adopt the President's budget numbers. . . it appears to me that we would not need to make cuts that were more severe than that to carry out the recommendations that the President has made. . ." You also stated, "I doubt if the Administration would want to subscribe to cuts deeper than the 25 percent." These quotations can be found on page 1296 of the hearing volume entitled "Impact of the Administration's Economic Proposals on Programs Under the Jurisdiction of the Education and Labor Committee."

Then again, on May 28th, when you testified before the Subcommittee on Elementary, Secondary, and Vocational Education and the Subcommittee on Select Education you were asked whether you would work with us next year to hold education funding harmless when we seek equivalent funding for education each year. You responded, "I don't anticipate that we will be proposing cuts of the size that we have had this year." This quote can be found on page 53 of the hearing entitled "Elementary and Secondary Education Consolidation Act of 1981." Your fiscal year 1983 proposals belie this statement. Last year you sought a 25% cut in elementary, secondary, and vocational education. This year you are seeking anouther 25% cut for elementary, secondary, and vocational education compared with the current fiscal year 1982 levels. Why have you changed your position?

Secretary Bell: At this time last year, I would not have predicted that the economy and the deficit would look so bad as they do now. The recession has reduced tax revenue and increased some expenditures. The surprisingly low rate of inflation has also reduced tax revenues that had increased as the Government benefitted from the "bracket creep," that is, the situation where incomes rose with inflation but tax rates took a larger share. It is the overall deficit and econimic situation that is requiring the spending cuts.

A particular problem for education results from the forward funded nature of most Federal programs. Because most outlays occur in the fiscal year after the year in which funds are appropriated, it is necessary to cut current year budget authority to reduce next year's outlays and deficit.

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Mr. Perkins: According to the documents accompanying the State of the Union address, the President's new Federalism program "is intended to sort out the responsibilities properly assigned to each government level . . ." Let me ask you, Mr. Secretary, is there something about the nature of compensatory education which makes it a Federal responsibility, whereas there is something inherent in vocational education that makes it a State and local responsibility? What criteria did you use for sorting out which responsibilities properly belong to each governmental level?

Secretary Bell: I do believe there is a distinction between Federal responsibilities in compensatory and vocational education programs. The Federal Government has a continuing function to aid students who have not received an equal educational opportunity at the elementary and secondary level. This is an area that was long neglected by States and localities. Problems that the Federal Government would address by such aid must be nationwide in scope and ones for which Federal assistance could make a difference; assistance must be carefully targeted and results oriented, but limited in scope and size.

By contrast, Federal funds for vocational education, authorized since World War I, merely supplement the strong support of States and localities that considerably overmatch Federal grants. The Administration has recently proposed legislation that would simplify and improve management of this program and clarify the goals for Federal vocational funds. In addition, however, the Administration believes that States should have the choice, under the President's Federalism initiative, to take over full responsibility for Federal funds now allocated to vocational education.

Mr. Perkins: The Advisory Panel on Financing Elementary and Secondary Education, an independent body mandated by Congress to carry out major school finance studies, recently issued an interim report which duscussed the Federal role in financing education. I would like to read some conclusions of this interim report:

". . . the Panel's fundamental conclusion is that Federal education programs are successful and should continue. The Panel therefore opposes substantive diminution in the Federal role and spending for education."

"Deliberations of the Advisory Panel during the past year . . emphasize clearly the value and need of a Federal financial commitment to education. There is no substantive doubt among Panel members . . . that many Federal education programs have been effective in aiding children to learn."

"The Panel believes that reduction in education funds or lessening the commitment to education for children will severely hamper the national effort to improve productivity."

"The Panel opposes a massive shift from categorical programs to block grants."

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It appears then that the consensus of this expert body, which has been studying Federal financing issues in depth for some time, runs counter to the Administration's budget and legislative proposals. Were the findings of the Panel considered at all in putting together your recommendations?

Secretary Bell: The report to which you refer, Mr. Chairman, was released on February 18. As provided in the statutory authorization for the Panel, that report was not reviewed by the Department prior to its submission to Congress.

Of course, the members of the Panel are entitled to express their views as they see fit. I would point out, however, that the Panel has no responsibility--as the President does--to view Federal education funding in the context of the whole Federal budget and revenue situation. Nor does the Panel concern itself with the relationship between Federal spending and the economy. In this regard, I would bring to your attention a quotation from a staff study released by the Joint Economic Committee of the Congress more than a year ago that reads as follows:

> "The single most important thing that the Federal Government can do to meet the needs of State and local governments is to stabilize the national economy and return it to a path of stable economic growth."

One final comment concerns the implication that may be drawn from the quotations you have read from the Panel that national productivity may be "severely hampered" by the proposed reduction in Federal funding. States and localities have demonstrated remarkable efforts to support public education over the past and I do not believe such efforts will slacken as a result of Federal reduction in its own expenditures to improve the nation's economy.

Mr. Perkins: The President's budget book, on page 5-118, states, "Later in the year, the Administration will transmit to Congress a plan to implement a program of tax credits for families of tuition paying students."

I would like to know how the Administration can propose tuition tax credits which, even in their most restrictive form, would cost the Federal treasury billions of dollars at the same time you are moving to cut Federal education programs by 23%?

Secretary Bell: Final decisions on the details of an Administration tuition tax credit proposal have not been made, so it is not possible to say what the level of benefits would be for the nation as a whole. However, the Administration strongly believes that diverse educational choices should be available to parents and that such diversity makes it desirable to adopt public policies that will encourage privately sponsored, as well as publicly sponsored, educational institutions. Private schools have

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experienced declining enrollment from a level of 14% in the early 1960's to about 10% now. Private college enrollment has declined as a proportion of the total from about 40% to 24% over these years. Of course, this has been a period of enormous increase in public revenues allocated for public schools and colleges. I believe tuition tax credits will strengthen both public and private schools alike by encouraging greater exercise of choice among parents and students.

OBLIGATION OF FISCAL YEAR 1982 FUNDS

Mr. Perkins: I have heard from grant recipients under various Department of Education programs that the Department is delaying making grants according to schedule for some programs. For other programs, especially those for which rescissions are requested, I have been told by grantees that the Department is making partial payments and not spending the full amount that was appropriated under the fiscal year 1982 continuing resolution. I would like to know if it is the policy of the Administration and your Department to withhold funds above the President's revised request for fiscal year 1982, in anticipation of rescissions being approved. Do you have knowledge of grants being delayed? For example, I have been informed by people in the field that career education grants that were supposed to go out months ago have not been made.

Secretary Bell: The Continuing Resolution under which we were previously operating, P.L. 97-92, authorized funds through March 31, 1982, or 51 percent of fiscal year 1982. Prior to March 31, we could not anticipate what changes Congress would make to the annual funding levels for programs when they acted on a final appropriations bill or another Continuing Resolution. The Administration's general policy up until March 31, therefore, was to continue projects or activities at a rate not exceeding 51 percent of the Continuing Resolution, with funding for each program following the normal calendar sequence or pattern of obligation. If a program historically had obligated more than 51 percent of its funds by March 31, the Department requested a special exception from OMB. It should be noted that this particular policy was in effect from late December when P.L. 97-92 was signed into law until March 31 when it expired, and is consistent with past procedures and policies under Continuing Resolutions. Now that we have a Fourth Continuing Resolution, P.L. 97-161, authorizing funds for the entire fiscal year, grant awards will continue on schedule except for programs for which rescissions are requested.

The Department has been operating under specific guidelines with regard to those programs for which rescission proposals were submitted on February 5, 1982. The Budget and Impoundment Control Act allows 45 calendar days of continuous session for Congress to consider the rescission requests. After allowing for planned congressional recesses, the 45th day for the current rescission proposals is April 23, 1982. Up until that date, those amounts proposed for rescission from funds available in P.L. 97-161 have been placed in reserve status by OMB and are not available for obligation. If Congress does not act on the rescission requests within the 45-day period, the reserved funds will automatically become available again for obligation on April 24, 1982.

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The Department has attempted to keep all of the possible options open to give the Congress the opportunity to approve any or all of the requested rescissions. At the same time, the Department is making every effort possible to avoid a situation in which we would be unable to obligate the funds by the end of the year in the event that Congress does not enact the rescission proposals. Program officers have been instructed to take all of the necessary action, up to the point of final obligation, to process grant awards for programs for which rescissions are proposed.

With regard to Career Education, fiscal year 1981 awards to States were made beginning in April 1981 and continuing through June 1981. Therefore, the normal timing for issuance of fiscal year 1982 grants to begin would be early April of this year.

Mr. Perkins: At the same time the Administration is proposing to decrease the Federal education budget by 23% between fiscal years 1982 and 1983, you are requesting an increase for salaries and expenses. This increase is requested even though the number of full-time equivalent personnel, including those who will administer education programs transferred to other agencies, is proposed to be reduced from 6,055 persons in 1982 to 5,472 in 1983. How can you justify and increase in salaries and expenses when programs are being cut or terminated and personnel are being laid off.

Secretary Bell: There are three basic reasons for the apparent increase of $7 million in the salaries and expenses account from 1982 to 1983. First, no pay raise supplemental has been included in the comparable 1982 level. OMB has approved a pay raise supplemental of approximately $5.8 million, but it is not yet reflected in the budget documents. Second, there is an increase of $9.3 million for automatic data processing costs, mostly for the student aid programs. Third, the 1983 budget includes funds for the higher salaries which must be paid to employees as a result of the congressional action to lift the pay cap on the maximum salaries and to increase other salaries by 4.8 percent. These three factors and other rate increases tend to obscure the decrease of almost $18 million in personnel costs which results in the net increase of $7 million.

Mr. Perkins: Your budget documents state that under the proposed Foundation, the Federal role will be changed by "restricting General Education Provision burdens in States and localities." Does this mean you want to repeal the General Education Provisions Act? Will you send up separate legislation to do this or will it be part of the Foundation legislation?

Secretary Bell: The Foundation legislation would repeal the General Education Provisions Act. However, it would reenact, and in some cases modify, many of the "GEPA" provisions. The changes would delete unnecessary detail, remove prescriptive requirements, bring provisions up to date so that the enactment of more recent laws would be recognized, and eliminate overlapping provisions.

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Mr. Perkins: Recently the Department of Defense released the results of a study wherein the armed services vocational aptitude test was administered to a representative sample of the general youth population. The results showed serious deficiencies in the aptitude of youth, as well as a clear relationship between the scores and high school graduation status. In addition, the scores revealed significantly higher average scores for white youth, lower average scores for Hispanic youth, and even lower average scores for black youth.

In my view, these findings suggest that there is more to military strength than buying weapons. The very groups that scored the lowest in this sample are the same groups that are often served by Federal education programs, primarily Title I.

I, therefore, cannot see the logic of cutting back on the Federal education programs at a time when so many of our youth are still undereducated and do not possess the aptitudes necessary for national defense. I would like you to comment on these findings.

Secretary Bell: I would be pleased to comment on those findings.

The Defense Department study is an extremely useful examination of the vocational aptitudes of American youth. It provides Defense with national norms for its aptitude tests, and it confirms the results of other educational studies--that trainability varies by socio-economic groups, and generally improves with age and educational attainment. The longer a young person succeeds in school, the greater is the probability that he or she will perform well in training and in developing job skills.

But this report points out, once again, that our schools must do a better job than they have. They must work more diligently to raise educational achievement for all students, particularly the disadvantaged. They should look for ways to use what has been learned about how schools can be more effective--and we know much more than we are using. I am taking every opportunity I can to bring our research knowledge to the attention of educators.

The DoD report also provides evidence of the need for the Commission on Excellence that I established. This is a group of distinguished educators and citizens who are examining how educational quality can be raised in our nation's schools. They will be reporting in about a year and I expect they will have good advice for educators and government decision makers at all levels, especially for States and local school districts where the educational responsibility rests.

Mr. Perkins: It is my understanding that the Department of Education is presently involved in developing a package of legislative changes for the Education of the Handicapped Act, as well as in reviewing the Federal regulations with regard to this program. In view of the problems that States have experienced in

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implementing major statutory changes made in programs last year, has any thought been given to studying the impact of any proposed changes in the regulations which might be adopted for a year or two before proposing amendments to the statute? Why or why not?

Secretary Bell: Given the highly detailed character of the existing law, regulatory changes will not substantially achieve the basic goals of the Administration's legislative proposals -- simplification of Federal assistance, increased State flexibility and a reduction of the burden on educational agencies -- while retaining those protections which are essential to assure handicapped children equal access to educational opportunities. Both the regulatory revisions and the proposed amendments are being developed with a great deal of care to avoid any problems which may have arisen from last years revisions.

Mr. Perkins: Since P.L. 94-142, the Education for All Handicapped Children Act, requires that States receiving Federal funds must provide a "free appropriate public education" to each handicapped child, the reductions proposed for this program could not technically result in fewer students being served. However, the Congressional Research Service has recently prepared an impact statement on these proposed cuts and they indicate that "the budget actions and future cuts could result in a reduction not only of special education services and programs but also of the staff needed to provide educational and related services to handicapped students. Other possible outcomes. . . may be that efforts to identify and place children in appropriate programs who are currently excluded from special education in inappropriate programs would be curtailed and services available to those children currently being served by special education programs would be limited".

Does this not seem like we are proposing replacing a "quality" service delivery system for handicapped education programs with an "inferior" one? Could I have your comments on this?

Secretary Bell: The primary determinants of the quality of the service delivery systems are the decisions made by the State and local education agencies regarding the scope and nature of special education and related services to be provided to handicapped children. The fiscal year 1983 request for education for the handicapped will represent only a 1.9 percent shift in financial responsibility from the Federal Government to State and local resources from the 1981 level. The effect of the modest reduction proposed on the quality of the service delivery system will depend on what approach an individual State takes in handling the reduction. If a State chooses to reduce administrative costs, the quality of the services delivery system may be unaffected.

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# OVERSIGHT HEARINGS ON 1983 BUDGET REQUEST

WEDNESDAY, MARCH 3, 1982

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EDUCATION AND LABOR,
*Washington, D.C.*

The committee met, pursuant to call, at 8:30 a.m., in room 2175, Rayburn House Office Building, Hon. Carl D. Perkins (chairman of the committee) presiding.

Members present: Representatives Perkins, Hawkins, Clay, Andrews, Simon, Miller, Weiss, Corrada, Kildee, Peyser, Ratchford, Kogovsek, Goodling, Petri, Fenwick, Roukema, and Craig.

Staff present: John F. Jennings, counsel for the Elementary, Secondary, and Vocational Education Subcommittee and associate general counsel of the Committee on Education and Labor; Donald Baker, chief clerk; Clark Rechtin, counsel; and Gordon Raley, counsel for the Human Resources Subcommittee.

Chairman PERKINS. We have the honor today of having with us Mr. Richard S. Schweiker, Secretary of Health and Human Services. We worked in many conferences together when he was in the Senate and has contributed to the programs for the general welfare of the people.

Our purpose is to give the fullest possible understanding of the administration's proposals and their jurisdiction before making our own budget recommendations to the Budget Committee by March 15.

We appreciate your taking the time to appear this morning, Secretary Schweiker.

Our focus today is the programs under the Department of Health and Human Services which fall under this committee's jurisdiction.

The President is recommending to reduce that budget from its fiscal year 1982 continuing resolution level of $5.3 billion down to $4.1 billion in fiscal year 1983, a 22-percent cutback.

The vocational rehabilitation program would be cut by $208 million, consolidated and transferred to the Department of Health and Human Resources, the Community Services Block Grant to be reduced a further 72 percent, to a level of $103 million. Many other programs are targeted for severe cuts.

In my view, these budget proposals are a serious mistake. Further reductions would have severe consequences. To give you an example, under the vocational rehabilitation proposal, up to 353,000 persons would be dropped under this present program.

Under the community services employment program, over 54,000 elderly workers would lose their jobs. These programs have served

in the past years to promote independence and self reliance in individuals and have helped them to become productive taxpaying citizens. These programs are extremely cost effective and I am concerned about the increased cost down the road if we cut back on these programs now.

I notice you have a prepared statement, and without objection, your prepared statement will be inserted in the record, Secretary Schweiker, and you can proceed in any manner you prefer. Go right ahead.

Mr. PEYSER. Mr. Chairman, I wonder if the Secretary would mind having the chart turned a little more this way, so even us on this side could get a look at it.

Thank you, that's great. We may need more convincing than the other side, anyway.

Mr. SCHWEIKER. Good point. Can everybody see them all right?

## STATEMENT OF HON. RICHARD S. SCHWEIKER, SECRETARY OF HEALTH AND HUMAN SERVICES

Secretary SCHWEIKER. Mr. Chairman and members of the committee, I am delighted to be back to see my former colleagues. I appreciate the kind words of the chairman. He and I served on many conferences together, as well as some of the other members of this committee. I am glad to have a chance to get reacquainted and to visit my friends and colleagues here today.

I am glad to have the opportunity to present the overview of the fiscal year 1983 proposals for the Department of Health and Human Services programs that are under this committee's jurisdiction.

The budget we have presented for fiscal year 1983 builds upon the new course we began last year. It is based on helping those most in need through a new partnership with the States. Our proposed budget also emphasizes efforts to attack waste, fraud, and abuse, improve financial management, and to simplify and streamline regulations.

Mr. Chairman, I do have some charts here and I would like to depart from my statement for a few minutes to just explain some of the charts. I hope everyone can see them now.

This first chart tries to list the accomplishments that I believe we started in the first year of my tenure as Secretary.

First, we tried to set up a new national health agenda with wellness or health promotion as its primary goal.

We are consolidating in some meaningful way the basic research in NIH, which deals with health promotion and working out a coordinated effort to make sure that all the institutes participate in that kind of data building basis for our health promotion program.

In addition, we have launched a task force with the medical schools and are being received very well, to include health promotion and disease prevention as part of their curriculum, as opposed to just attacking acute care and they have been very cooperative with that.

We are launching a program of public education, hopefully with the National Advertising Council, which they might do as a public service to promote this.

We are through the FDA beginning a program of sodium labeling which basically so far has about a third of the industry signed up on a voluntary basis. We hope to have over half the majority signed up soon.

Also, we are coming up with incentives to encourage the private sector to do their own wellness program. Some companies, some 500 or 600 already have advanced programs, even paying their employees to jog or to swim, to bike and things such as that. It has paid off in terms of lowered absenteeism and stress and some other things in their operations.

Second, we are concerned about the rising costs of health care, the fact that hospital costs have gone up nearly, well, over 19 percent this year and the fact that this is unacceptable to the administration. It is twice as fast as the cost of living.

To combat this, we have proposals before the President in the area of competition, one to bring out a voucher for medicare recipients, so they have a choice of using a conventional system or going to get a system in the private sector that gives them the same minimum benefit with a voucher; a second proposal to give a choice to employees and those employees who elect to take lower cost health options would get a tax rebate as a way of giving them an incentive.

Third, a proposal to do some modest cost sharing in the medicare area, in return to giving people catastrophic coverage. After $2,500 of the hospital bill, the catastrophic coverage would assure that the rest of their costs would be paid under the catastrophic plan. These are three areas that have not yet been finalized, but are almost to that point.

We did put a priority on research at NIH. As many of you know, we have 52 Nobel Prize winners at NIH, the largest concentration of Nobel Prize winners in the world. It is one of the few parts of my budget that increased, rather than decreased. We want to keep that data base in that scientific work that has produced so much advancement in medical science there.

In the area of deregulation, there are different ways of doing this; the block grant approach, the phasing out of the Federal health planning role and the FDA, for the first time since the 1962 Kefauver bill, approved 27 new chemical entities which were dropped, which is a record. We hope to improve that.

We also hope to speed up a new drug approval process as part of our reversal of the drug law.

We have calculated about a $2 billion savings this year in waste, fraud, and abuse. Among some of the things you have seen are computer matching of dead people who are still getting black lung benefits, or dead people who are still getting social security benefits, some fairly obvious things that you would have thought had been done that had not been done. We are using computers to help track down people who violate the system, so that the recipients are those truly in need, not people who are trying to mess the system up.

One of the things I am proud of is that the last six administrations tried to get rid of the Public Health Service hospitals and we were successful, not necessarily in getting rid of them, but in spin-

ning them off to the private sector, which I think is an accomplishment.

Baltimore, Seattle, and New York, all kept their hospitals as community hospitals. Louisiana is using its hospital as a children's hospital and one of them is going for a defense hospital purpose. The fact that we spun them off to the private sector, and about half the employees were able to continue on in some capacity, makes a real good way to solve that problem.

Targeting welfare benefits is one of the areas we worked in and also in terms of our own overhead and costs, we did reduce our employment some 7 percent.

I might say, a good proportion of that was a spinning off of the Public Health Service hospitals; so a much smaller proportion would be RIF's, as opposed to spinoffs from the hospitals or through a freeze and nonhiring action.

We cut our travel costs some 20 percent.

The budget that I am dealing with here for fiscal year 1983 is a $274 billion budget. My budget goes up $20 billion over fiscal year 1982. It is an 8-percent increase. It is probably twice what other departments' budgets are going up, except for defense. It is the largest budget in the world, except for the Soviet Union and the United States and the budget spends some $56 billion more than the defense budget. I spend about three-quarters of a billion dollars a day.

The part that should be pointed out, however, is that 95 percent of my budget is set by entitlements. When people talk about cutting my budget, one of the problems I have is that to a great extent the discretionary programs get hit pretty hard because of the fact that we have been less willing or less able to cut entitlement programs. So there is a disproportionate impact on the discretionary programs, some of which go through this committee, because we cannot come to grips with about 95 percent of my budget entitlement spending.

Notwithstanding the reductions in my budget—which primarily are reductions of growth, as my budget is increasing $20 billion this year and increased $20 billion last year—my prorata share of the budget has increased.

The orange part of this chart is the Department of Health and Human Services. The yellow part is the total budget.

In 1960, when I came to the Congress, the eighth Health and Human Services budget was 15.8 percent of the total budget. Today it is 35 percent of total Government spending and it will go up another percentage point even in this budget that we have before us.

I think this chart shows what our real dilemma is in controlling spending. If I had to point to one chart to show the dilemma that we face, that Congress faces and we face, this is it. This happens to be a graph of all my programs, but you could put all the social welfare spending programs in this same chart and it would look almost the same. The problem is that we started out here in the 1950's with a very low rate of growth. Even in the days of the Great Society and New Frontier, the rate of growth was fairly modest.

Then in the 1970's it began to take off like a jet rocket. We started out with a few billion dollars back in 1950. We are going to end up here with $300 billion for these same programs.

The green part of the chart is current law and I think it points to the dilemma that we are in, even under the Reagan budget These programs, unless we change current law, will still show a faster rate of growth than in the last decade. I think there is a very serious concern about how well we are able to control or not control that rate of growth.

In terms of the proposals that we are making, the entitlement programs are where the real problem is. My budget proposes about a $6.8 billion reduction in the growth of entitlements. As you can see from this line, if you look at the big sweep, it isn't too much. Here the dotted line represents current law if we change nothing. If we change it $6.8 billion for the next fiscal year, the solid line will slightly turn to the right. As you can see, it does not do much, but it is a beginning in that area.

Now, here is another chart and while this happens to be an appropriations chart, I think it is still relevant to this committee, Mr. Chairman. The blue part is the entitlement programs and the discretionary programs are in green. This shows the battle, particularly in my department, between the two types of programs, because the more the entitlement programs grow, the less funding is available for discretionary programs.

This particular chart does not have the social security and medicare trust funds, so these are just appropriations, but the problem is just the same.

Back in 1970, entitlements were 69 percent of the appropriations for my department. Today they are up to 82 percent. This means that the discretionary spending has shrunk from 31 percent of the total to 18 percent. That gets to my point, that unless we deal with the entitlement programs, we are getting more and more pressure in one very narrow area of spending—the discretionary programs.

Overall, I just have a few more pages here, Mr. Chairman, and then I will throw it open for questions. I will put the rest of my statement in the record.

Overall, the 1983 budget for Health and Human Services will total about $274.2 billion—an increase of 8 percent over 1982. Our share of the Federal budget will increase to 36 percent, still more than all 50 States combined and more than the budget of any nation on Earth except the United States and the Soviet Union and $56 billion more than the new defense budget.

One year ago, the cruel reality of inflation and the harm it was inflicting prompted the American people to demand that their government adopt spending reforms. Today, it is even more imperative that we use discipline in Federal spending. By stemming the rate of growth in HHS programs, we are helping to reduce inflation.

I would now like to give a brief overview of the Department of Health and Human Services programs under your jurisdiction and the fiscal year 1983 budget proposed for each.

This administration strongly supports the Head Start program. It is one of the most important and effective service programs administered by the Federal Government.

Since its inception, Head Start has provided health, educational, nutritional, and social services to over 8 million children and their families.

In fiscal year 1982, 377,300 children, including more than 37,700 handicapped children, are expected to participate in Head Start. The 1983 budget level of $912 million will provide services to 377,300 preschool children and their families, while maintaining current levels of services. Approximately 20 percent of the Nation's 3- to 5-year-old children living in poverty are served.

Under the Older Americans Act, the principal goal is to assure that our older Americans have the opportunity to live independent, meaningful, and dignified lives.

The proposed fiscal year 1983 budget requests $236,127,000 for the Older Americans Act, the same levels as proposed by the President in September 1981.

The fiscal year 1983 budget request for nutrition services will support 607,845 congregate and home delivered meals per day.

The budget request includes a proposal to transfer the U.S. Department of Agriculture cash or commodities program to the Administration on Aging and to support the program at a requested level of $84,022,000. Funds would be distributed to States based on the amounts they received in 1982.

The native Americans program promotes social and economic self-sufficiency for American Indians, Alaskan Natives, and native Hawaiians throughout the United States, through the support of locally determined strategies for long-term social and economic development. The program operates on two fundamental principles: First, that the local community is responsible for determining its own needs and priorities and for planning and implementing programs, and second, that economic and social development must be balanced if native Americans are to achieve self-sufficiency.

The proposed fiscal year 1983 budget request provides $23,282,000 in funding for this program.

The child abuse and neglect program is carried out by the National Center on Child Abuse and Neglect. In fiscal year 1983, this program will consist of two principal parts: The State grants program and the discretionary program.

The proposed fiscal year 1983 budget request for the State grants program provide for a funding level of $4,620,000.

The discretionary projects portion of the child abuse and neglect program has been included in the budget request as part of a proposed consolidation of social services research, demonstration and special project programs. This will include a focus on items of priority to child abuse and neglect, as well as projects which address service management and delivery issues common to child abuse and other social services programs.

The adoption opportunities program is a program of discretionary projects. Funds for this program have been included in the budget proposal as part of the proposed consolidated discretionary social services program. Projects with a special focus on adoption opportunities will be funded in addition to cross-cutting projects which can produce results significant for adoption programs, including the national adoption information exchange system.

This administration is deeply concerned about the plight of children with special needs who are in need of loving adoptive families. We are committed to helping the States meet the needs of these children.

In the runaway and homeless youth program, the fiscal year 1983 budget request of $6.6 million will allow for the support of approximately 111 community-based centers which provide temporary shelter, counseling, and aftercare services for runaway and homeless youths.

In fiscal year 1983, approximately 28,000 youths will be served on an ongoing basis in the runaway and homeless youth centers and another 90,000 youth and families will be served on a one-time basis.

The discretionary funds for the runaway and homeless youth program are included in the budget request for the consolidated discretionary social services fund. Among the activities to be supported in the area of runaway youth out of this fund is the national toll-free communications system hotline.

Over the past several years, the Office of Human Development Services has conducted research, demonstration, and evaluations in a variety of categorical areas.

Many worthwhile projects have been funded under these different subject areas, but there has also been overlap and duplication. The consolidated research fund proposed in the fiscal year 1983 budget will allow us to fund those worthwhile projects and to develop coordinated cross-cutting service delivery improvement efforts while eliminating overlapping and duplicative activities.

The fiscal year 1983 request for the community services block grant is $100 million. The administration reviewed human services programs within overall fiscal constraints and requested a reduced level of support for this block grant in order to protect higher priority direct service programs such as Head Start. This request will provide sufficient resources to support those projects which the States determine are the most productive.

For fiscal year 1983, the administration is proposing to spend $1.3 billion on a block grant combining the low income home energy assistance block grant with emergency assistance provided under title IV-A of the Social Security Act. The new block grant will allow for more efficient provision of emergency assistance and for coordinating this aid with energy assistance.

Under our proposal, States could eliminate duplicative administrative mechanisms and criteria now required for the two programs. Reporting requirements and compliance procedures would be reduced, and Federal administrative costs could be reduced by about $1 million.

We propose to incorporate the supplemental food program for women, infants, and children [WIC] and the commodity supplemental food program [CSFP] into the maternal and child health [MCH] block grant, with a combined total funding of $1 billion for fiscal year 1983.

This makes good sense for a variety of reasons. Traditionally, WIC has always been an adjunct of maternal and child health activities in the States, and it is already located in the maternal and child health unit of State health departments in half of the States.

In almost all the States, the same health professionals who provide maternal and child health services also oversee the WIC program—in fact, in many cases eligible persons obtain their eligibility certification and their WIC food coupons through health professionals at maternal and child health clinics.

In conclusion, Mr. Chairman, I want to reemphasize that all of the budget proposals for these programs that I have outlined for you are an integral part of the President's program for economic recovery. We must stem the rate of growth in Federal spending, and work with State and local governments and private organizations to use our limited resources for efficient delivery of quality services.

Thank you, Mr. Chairman.

Chairman PERKINS. Thank you very much, Mr. Schweiker.

Mr. Simon, you are first. Go ahead.

Mr. SIMON. Mr. Secretary, in October you told the Ways and Means Committee that you would be conferring with the Department of Education to insure that when social security assistance to students is cut back that there would be an increase in assistance through Pell grants and GSL and other programs.

Now we are in a situation where we are being requested at this very time to cut back student programs very dramatically, cutbacks in the Pell grants, in GSL and the other programs.

I wonder if you have any comment, whether you had a chance to discuss all this with the Department of Education and what recommendations you make for students who look like they may be out in the cold.

Secretary SCHWEIKER. I think, Congressman, what you are referring to is the indication at the time last year when I was up testifying that in lieu of the social security student's benefits [proposals], there were other programs that were involved in that area for student help. I do not believe I said there were increases in the budget of the other programs. I did say there were other programs.

Now, I have to say that statement was made last fiscal year and based on what was true at the time. Obviously, I guess you can say that statement has become outdated, Congressman.

Mr. SIMON. That is not very comforting to a student.

Secretary SCHWEIKER. Well, it is true. You know, I certainly did say at the time that the student aid programs total a certain amount of money and that amount should be sufficient to meet the needs that were currently in existence. Since that particular time, obviously OMB has had another fiscal year to review things, and they have taken another look in this area and have made their recommendations, which in this case have prevailed. These programs do not come under my Department's jurisdication; but my statement about them was, in fact, true at the time I made it.

Mr. SIMON. That answer is less than completely satisfactory, but I understand the situation in which you find yourself.

We heard testimony that notices were going to be sent by social security to those who would ordinarily be eligible for the student benefits to high school seniors and so forth about what the situation is. Is that about to happen or is something happening that I am not aware of?

Secretary SCHWEIKER. I think there was a problem, Congressman, that occurred in two of our program service centers, where unfortunately the people used old material that was incorrect. As soon as it came to my attention, and Jack Svahn's attention, we set in motion a process of sending out the correct material. All the notices, according to my information, are now going out.

It was honestly a clerical mistake in not all the offices, but in two. I believe we have made every attempt to correct it by sending out notices correcting the situation.

Mr. PEYSER. Will the gentleman yield for a moment on that?

Mr. SIMON. I yield to my colleague from New York.

Mr. PEYSER. I thank the gentleman for yielding. Mr. Secretary, on that issue, when the Commissioner of Social Security was testifying on the error that had been made in this, they had told us that within the next several weeks nearly 800,000 notices were going to go out. We have as of just a few days ago requested that and were told that none of them had gone out as yet. I would appreciate some definite answer as to whether or not they have gone out or have not, because time is running out for these students.

Secretary SCHWEIKER. I believe the latest information—and I will personally follow up because I think it is a very relevant question—the bulk will be out by the end of this week. All of them will be out by March 12. Let me say that I will recontact the Congressman's office and keep him informed on whether that is occurring. I am as concerned as he is about it, and I think it is an unfortunate situation that should be looked at. I do believe that we will stick to this schedule, and I will try to get back to the Congressman to make sure we do. It is a very valid point.

Mr. SIMON. Mr. Secretary, you mentioned maintaining the data base. We have some information that people are seriously concerned, and I would like to submit questions in some details which you could respond to for the record.

In the area of rehabilitation, we are being asked to cut back $302 million from fiscal year 1981 to 1983, and second, to block grant. Now, our limited experience on block granting with the State of Florida was not a happy one, where frankly, the courts ruled they violated the law. That is one concern.

The second concern is, the rehabilitation program is one that pays off, depending on which study you use, somewhere around $11 to $13 per dollar we invest. I am just wondering whether this kind of a cutback really makes sense.

Secretary SCHWEIKER. Congressman, one of the problems in my job is that, in the budget process, there are several proposals that are similar to this where somebody outside of my Department makes a decision about a program to be placed in my Department. All I can do about it is to accept the program and whatever dollar amounts they decide. I will be quite candid and say that I was not consulted on this recommendation. The recommendation was made and cleared, and I end up with a program that I have to run at the funding level they give me. I will be candid and honestly say that we did not have an input as to what the level of funding would be.

This, though, is not a block grant, Congressman. We do have a lot of block grants here, but I do not think this is one of them.

Mr. SIMON. My understanding was that the program would be block granted, or that is the proposal. Am I incorrect in that?

Secretary SCHWEIKER. It has not been finalized yet, Congressman, and this is probably where the difference is. We understand there will be some consolidation, but not a block in the normal sense. One of the problems again is that this is in the education bill, not in our bill, so maybe you would have more accurate information than we do, although our understanding is that it was a consolidation rather than a block grant.

Chairman PERKINS. Let me interrupt my friend from Illinois. We are going to stop at 7 minutes this morning and give everybody a chance, since the Secretary has to leave at 10:45. If the members will then stay with us, at that time we will go back around a second time.

Our next member is Mr. Goodling.

Mr. GOODLING. Thank you, Mr. Chairman.

It is good to welcome a fellow Pennsylvanian before our committee this morning.

I have several questions. First, on the WIC program, there was a gentleman in the last administration, the only one that I thought had very much practical commonsense and understood the real world. The only problem is that some would indicate he was too worldly, I guess, but he said, "If it ain't broke, don't fix it."

That makes a lot of sense. I think in your testimony you indicated that the WIC program is doing well. My question, I suppose, would be, if it is doing well and we are folding it into a block grant, is that a signal that we are bringing an end to the program when it is working well?

Also, in relationship to that, what is our experience thus far in the brief time that we have had a maternal and child health block grant in operation? I think we can probably tie those two questions together.

Secretary SCHWEIKER. Well, first let me preface it, Congressman, by saying this is a program that obviously was out of our Department and we did not have a recommendation in terms of where this program should be located.

I would agree that I think the WIC program is working reasonably well. I do not really quarrel with that premise at all. The only thing I do say that I think should be looked at, and of course can be looked at in any way, is that the growth of this program has been phenomenal. I think one thing we should really look at is that rate of growth, particularly compared to what has happened in the last few years, because that has just had a phenomenal growth rate. Maybe that is good, maybe that is bad, but that is a problem with the budget. So, that is the one area I would focus on.

Mr. GOODLING. I would agree on programs needing thorough examination, particularly when the amount of money available is probably going to continue to decline. Second, I have heard several reports on our black lung program. I recently heard that there was an autopsy done on a man that would indicate the gentleman in no way passed on from having a black lung problem, but his widow had an affidavit saying he did, and she collected the benefits. Are you finding out that we have those kinds of problems in the program, or is that somebody's imagination?

Secretary SCHWEIKER. Congressman, all new cases are administered by the Labor Department, so that we really do not have a say in terms of what the new structure is or what is involved. This has been going on for some time now. Initially, as some of you know, this program was administered by the Social Security Administration, but in the last few years it has really all been done by the Labor Department.

Mr. GOODLING. Do you have any information, for instance, on how many recipients are receiving black lung benefits under social security?

Chairman PERKINS. Those are the oldtimers, about 99 out of 100.

Secretary SCHWEIKER. We can get that for the record, Congressman. I think we do have that.

[Information referred to follows:]

There are 372,242 people currently being paid part B Black Lung benefits which is the part administered by the Social Security Administration. These include 109,573 miners, 145,948 survivors, and 116,721 spouses and children.

Mr. GOODLING. I would appreciate having that. I guess what I am getting to is, does social security check to see whether they are receiving benefits from both the black lung program and social security, or does it just go on?

Secretary SCHWEIKER. Yes; we are checking on that because that is part of our computer program I mentioned earlier. We are getting a computer match in many of our welfare benefit payments, and having these people getting black lung benefits and social security came to our attention. So, I guess the answer to your question would be "Yes, we are trying to check that as long as we have the computer data base."

Chairman PERKINS. If the gentleman would yield, I would like to have that statement too, Mr. Secretary. I am of the opinion that the older people receiving black lung, those payments have commenced to go downhill now because the people are dying off. That is just my judgment. But nevertheless, you will find an awful lot of them drawing social security, the great majority of them.

Mr. GOODLING. But are they drawing both?

Chairman PERKINS. Drawing both, and but for that benefit they would have all been on relief during all these years. That is the only thing that salvaged them in this country and kept them off relief. I want to make that clear.

Mr. GOODLING. But I want to make sure that the program is operating the way it was intended.

Chairman PERKINS. Yes.

Mr. GOODLING. Are they supposed to be receiving the same benefits?

Chairman PERKINS. Absolutely.

Secretary SCHWEIKER. We are checking on that.

Chairman PERKINS. Certainly. Separate and apart.

Mrs. FENWICK. Both together?

Chairman PERKINS. Yes, separate and apart.

Mr. GOODLING. But for the same purpose, disability?

Mrs. FENWICK. No, separate. The same person gets both?

Chairman PERKINS. The same person usually gets both, sure, because of the increased burden and increased problems they have.

Mr. GOODLING. Well, I would like to have the report on that because I do not think it is intended that they get disability benefits——

Chairman PERKINS. Oh, excuse me, you are talking about the widows, are you? The widows are getting social security, and the widows will get the black lung. A separate program altogether.

Mr. GOODLING. How about receiving black lung benefits and also receiving disability for social security?

Secretary SCHWEIKER. I think there are two different things. To some extent you are both right. We do have some older cases which were filed under the part B black lung program administered by the Social Security Administration, where people will legally draw both. On the other hand, there obviously have been some abuses where people should have their social security disability payments reduced because they are also receiving part C black lung payments administered by the Department of Labor. That is what we are checking on.

Mr. GOODLING. That is what I am referring to, not someone entitled to the social security benefits and also something from their husband's disability. I am talking about the individual himself receiving both.

Secretary SCHWEIKER. We will get that for the record.

[Information referred to follows:]

There are about 20,000 miners under age 65 receiving Black Lung benefits under the Part B program administered by the Social Security Administration. More than 90 percent of them also get Social Security disability benefits. By law, these benefits are not reduced on account of simultaneous receipt of the Part B black lung benefits. As of October 1981, about 1,100 workers getting benefits under the Part C black lung program administered by the Department of Labor were also entitled to Social Security disability benefits. By law, the Social Security disability benefits of these workers are reduced on account of their simultaneous entitlement to Part C black lung benefits.

Mr. GOODLING. One other question. I recently read the article in Parade a couple Sundays ago about the tremendously increasing problem of runaway youth and what it means to us, and I have always felt that we have not been very successful from the Federal level in doing very much about this problem. I recently asked the chamber and all of the national religious leaders in the Washington area whether there is some kind of volunteer program that they can get involved in. If we are able to move this, then we would want to come to you and find out whether there is some way we can coordinate the efforts. I think it may be the most pressing problem we have in this country, and if any of you read that article and kept a dry face below the eyes after you completed it you are harder in this world than I am. What do you see this program that we have had for a long time accomplishing?

Secretary SCHWEIKER. Well, I think this is a good program, Congressman, and I think one thing I made clear last year and I want to restate it this year, is that there are some national components to this program. One of them is the runaway youth "hotline." Even last year I sought to keep that funding. I will still take that position, that whatever we do we will keep a structure so that volunteer groups can be involved. It would be very foolhardy, in my judgment, to destroy something like the hotline or the national network that is so vital.

Mr. GOODLING. We do not have the volunteer homes available temporarily, and this is where the private sector could become very much involved. The department hotline itself is not going to do us very much good. We need a certain amount of time where runaways can be in a stable home situation, where they can think through this problem before they really get themselves involved in all the problems the article outlined. What I am really saying is, if we can bring about a cooperative program, we would want to work very closely with you, because I think it is very important, the most pressing problem facing us at the present time.

Thank you, Mr. Chairman.

Chairman PERKINS. Mr Clay.

Mr. CLAY. Thank you, Mr. Chairman.

Mr. Secretary, you say in your statement that the community services block grant will receive $100 million this year. How does that compare to last year's?

Secretary SCHWEIKER. That is a significant change, no question about that. Let me say, there is a significant cut in this program, Congressman, no question about it, and we are going to get the figure for you in a moment.

I had to make a hard choice as far as this program was concerned, because at the same time this program was targeted for reduction, the program for Head Start was targeted for a return to the States with a 25-percent reduction each year, and basically, to be quite candid with you, I had to make a hard choice. I appealed the decision and I really did put a higher priority on the Head Start program than the community services block grant, so it was a tradeoff and I saved the Head Start program.

Mr. CLAY. And you destroyed what other programs in that hard choice?

Secretary SCHWEIKER. Well, we reduced the community services program significantly, no question about it.

Mr. CLAY. What other programs did you destroy in making this hard choice to save Head Start?

Secretary SCHWEIKER. Well, we still kept $100 million in the community services block grant. That was all.

Mr. CLAY. How much did you spend last year? That is what I want to know.

Secretary SCHWEIKER. $317 million plus discretionary, $348 million.

Mr. CLAY. And so $248 million was chopped off, is that what you are saying?

Secretary SCHWEIKER. Well, it was reduced $248 million, yes.

Mr. CLAY. And now I understand from your testimony here that the low income emergency assistance block grant will receive $1.3 billion. How does that compare to last year's?

Secretary SCHWEIKER. Their request was $1.875 billion, so it would be about $500 million lower.

Mr. CLAY. Are we to assume, then, that the needs that these programs were established to meet no longer exist?

Secretary SCHWEIKER. No, they certainly exist or we would not have $1.3 billion in the programs. What I am saying is that our overall problem is with our rate of budget growth. We are trying to slow down the rate of growth and reduce some spending. Unfortu-

nately, since we have not been able to deal with entitlement programs, the bulk of the cuts have to come in discretionary programs, and that is disproportionate, no question about it.

Mr. CLAY. Is the Government spending less money in 1983 than they did in 1982?

Secretary SCHWEIKER. Well, my budget is up 20——

Mr. CLAY. No, is the Federal Government spending less money in 1983 than they did in 1982?

Secretary SCHWEIKER. Overall. Yes.

Mr. CLAY. What happened to the money, the $248 million you had in Community Services and the half a billion you had in low income? Where did it go?

Secretary SCHWEIKER. Social security, medicare, and medicaid. That is where it went.

Mr. CLAY. None went to defense?

Secretary SCHWEIKER. My programs went up $20 billion. When you are indexing entitlement programs, that is where the money has to go by law. That was the point I made a moment ago.

Mr. CLAY. None of that money went to defense?

Secretary SCHWEIKER. As long as the entitlement programs are using up our money, that is exactly where we have to pay the penalty. Congress has to deal with that problem. I put $20 billion into those entitlement programs, so I had to rob Peter to pay Paul.

Mr. CLAY. So what you are going to do now is, transfer these programs to States to assume the responsibility of meeting the needs. Now, you say on the opening page of your statement that our share of the Federal budget increased to 36 percent, still more than all 50 States combined. Now, you increased your budget, all the 50 States combined did not increase theirs to the extent that we did, and you are telling us you are going to turn these programs over to States who have shown no desire, no interest, no capability of spending the kind of moneys that we need to deal with the problem. Is that what you are recommending to this Congress?

Secretary SCHWEIKER. Well, my budget increased $20 billion. It is still $56 billion more than the defense budget, and yes, we are turning the programs over to the States, no question about it.

Mr. CLAY. So what you are really saying to the Congress is that you do not care what happens after the programs are turned over. We have no, according to you, we have no responsibility to address basic needs of people in our society, just give it all to the States.

Secretary SCHWEIKER. The fact that my Department's budget went up $20 billion, went up 8 percent, indicates that we have $20 billion of additional needs and responsibilities to the people who receive benefits under the entitlement programs, that is, social security, and, supplemental social security income, medicare, and medicaid. Congressman, that is where the increases are.

Mr. CLAY. Did you cut any money for public service jobs?

Secretary SCHWEIKER. Well, that is not in my Department. I do not know. I suspect we did. I know we have a new block grant on training which amounts to about $1.8 billion, targeted to welfare recipients and inner-city youths.

Mr. CLAY. There is an article in this morning's Post. I wonder if you would care to comment on it. It says that under the new rules and regulations and under your new policy, that some 900,000

people on welfare will either be dropped or their benefits will be severely curtailed. Is that correct?

Secretary SCHWEIKER. Well, the article as reported states my figures in response to the chairman of the Ways and Means Committee. Those are my figures.

Mr. CLAY. Is that correct?

Secretary SCHWEIKER. Is what correct?

Mr. CLAY. That 900,000 people——

Chairman PERKINS. The time has expired.

Mr. Petri.

Mr. PETRI. Thank you very much, Mr. Chairman.

I have several questions from Mr. Erlenborn that I wonder if I could submit to the Secretary for his answer in the record.

Secretary SCHWEIKER. Sure.

Mr. PETRI. I think they are fairly detailed and deal with black lung disease, and there is assistance and information that is probably down the street.

Chairman PERKINS. Are they on black lung?

Mr. PETRI. Yes; I just had one or two real quick general questions.

You have been in this town much longer than I have, Mr. Secretary, but I am taken by the difference in perspective that one gets from listening to your statement and from reading the newspapers, because you get the impression that there are enormous cuts and whacking in the newspapers, and yet the figures indicate a considerable increase in spending, and perhaps even above the rate of inflation this year in your budget. Why is it that we do not see headlines saying, "Social Service Spending To Reach New Highs," and "$20 Billion Increase To Meet Human Needs"?

Secretary SCHWEIKER. Well, some people just do not want to take that point of view, or to highlight the fact that my budget is $56 billion higher than the defense budget. People just do not seem to want to make this point of view. They want to point out where the cuts are, but not where the increases are. The fact that my budget is growing twice as fast as every other department except for Defense is somewhat ignored. It is a very valid point. It is fine to criticize where we are slowing down growth, but I think it is unfair not to say where growth is going on, and the entitlement programs do make up 95 percent of my Department. That is where all the growth is occurring.

I think it is important to make the point that these people that are served are low income, middle income, and a lot of them would be lower income if we did not have these programs.

Mr. PETRI. Second, I was very happy to hear your brief references to health proposals that are forthcoming. Do you have any idea as to the timetables, as to when those will be coming on?

Secretary SCHWEIKER. We have a final meeting of my Cabinet Counsel next week, which I hope will resolve the issues. My guess would be that within a couple of weeks after that we will have some proposals to send to the Hill. So, I guess we are talking about, about 3 weeks.

Chairman PERKINS. I would ask you, in the event Mr. Erlenborn's questions deal with social security or black lung recipients,

that counsel be permitted to examine the questions, and we may want to ask some counterquestions.

Without objection, it is agreed to.

Go ahead, Mr. Miller.

Mr. MILLER. Thank you, Mr. Chairman.

Mr. Secretary, can you tell us what you are planning to do with the Adoption Assistance and Child Welfare Act of 1980?

Secretary SCHWEIKER. That is one of the proposals that is included in our block grant request.

Mr. MILLER. Explain to me how you expect it to operate. It is not currently designed as a block grant. You suggested repeal of it last year, and the Congress turned you down on that effort, and I just wondered, what do you expect in terms of results?

Secretary SCHWEIKER. Well, basically the block grant proposal would build upon the action taken in 1980 in Public Law 96-272. We do—and I think this is important because I know the Congressman has worked very hard in this area, and I remember we had discussions about it last year—we do want to retain the structure. As the Congressman has pointed out, it is rather critical in terms of what the requirements of the present law are. We are not making an effort to dilute the requirements.

We would still have, for example, a situation where we are asking each State to make an inventory completed after June 1981, of all children in foster care; that each State have a case review system for each child receiving foster care; that each State have in operation a statewide information system; that each child has a written case plan with the status of each child reviewed periodically; that certain procedural safeguards applying to foster care are applied; that each State have an operating service system to help reunite children with their families; and have in operation a preplacement preventive service program.

Mr. MILLER. One thing that changes is the funding you give out of maintenance to move them into, hopefully, adoptive homes, out of foster care, out of institutions, and the key to that is to provide funding to do that. I just wondered what your estimated funding level for that part of your block grant program is.

Secretary SCHWEIKER. Funding for these programs in 1982 was $465 million. The block grant in fiscal year 1983 is $380 million.

Mr. MILLER. So the block grant without this provision was $400 million something last year, and this year with your provision it is $300 million?

Secretary SCHWEIKER. That is right, about an $85 million change.

Mr. MILLER. I also understand that you envision letting the States self-certify that they meet the requirements of the act. Is that correct?

Secretary SCHWEIKER. They can self-certify, but they cannot get their full allotment until they have demonstrated to our satisfaction that list of some eight things I just read you. They must demonstrate that.

Mr. MILLER. Well, we are just in disagreement. Here is an act that took almost 8 years to write, involving every State in the Union. States have changed their laws anticipating the funding of this act. It is estimated by people who work in the field that it will hopefully save us hundreds of millions, if not billions of dollars in

inappropriate placements, and now about the time that the States are able to take advantage of the funding it has been cut. I would suggest, in fact, that you are moving away from the intent of Congress. I think stories like the Senate sat in awe of a couple of weeks ago about the Oklahoma case where kids had been beaten and chained to their beds and killed are going to be more and more prevalent under your administration. I think you have an opportunity to prevent that.

The stories that are coming out of Maryland now about the overinstitutionalization of those kids, and those coming out of Michigan and Illinois, are happening in your administration. I hope you will be able in the future to explain in hearings exactly how that can be allowed when in fact you have the means at your disposal to prevent that.

I think that is what we will see. We will find out, but I think that will turn out to be an accurate prediction, that you will reign over the dramatic increase of institutionalization of children in this country again; reign over the inappropriate placement of children in this country again, and you will reign over the failure to see that children who should be adopted are in fact being adopted, and we will start over again, but in the meantime we will have lost tens of thousands of children once again.

Secretary SCHWEIKER. Let me just say, Congressman, that this is different from our proposal of last year, and the fact is that we are requiring the State to do these things, which is just exactly what I understood the provisions were that you wanted passed; such as an inventory of all children.

Mr. MILLER. But if there is no money to administer it, it is lost, Mr. Secretary. They are whistling in the well. It is not going to happen. The States are hard pressed. We have all heard that situation, and what you have is a substantial reduction in this funding, and funding in auxiliary services to go along with this program. You can dress it up however you want, but the fact is, it is not going to be able to be administered as the program was originally intended. That is why your suggestion last year was rejected. Thank God you are not asking to repeal it, but I do not see that you will also provide the kinds of potentials that the law in fact has.

Secretary SCHWEIKER. As currently drafted, I can cut a State 20 percent in their funding if they do not meet the standards, so I certainly do have the leverage that we did not have before.

Chairman PERKINS. Mrs. Fenwick.

Mrs. FENWICK. Thank you, Mr. Chairman. I am deeply concerned because since 1971 my bill has been operating in New Jersey on the question of adoption. It saves the State money. I would strongly suggest that we have criminal action or civil action when they are discovered to have mistreated those children as the Congressman described. I think a few good, strong prosecutions would bring a salutary effect in addition to this drop in funds.

But, we save money in New Jersey. The State saves money by having an exact system, and my bill has been in effect for 11 years now.

Now, Mr. Secretary, I would like to ask you, on this question of computerizing and consolidation, which I think is the only answer,

I am happy that the WIC program has been merged into maternal and child health. We had a ridiculous situation in which the mother could go to the doctor for 9 months before the baby's birth and for 1 year after the birth. The child remained in that program until he was 5, but the mother was no longer privileged to go. It seems to me we ought to have a comprehensive mother and child health program, and not have two sets of paper necessary for the same woman who may need help after the birth of her baby.

Mr. MILLER. Will the gentlewoman yield?

Mrs. FENWICK. I am sorry, I have so little time.

In Wisconsin I am told the State has an excellent system, and the social agencies in my State that I have been talking to, not just this year but for many years, all say that if they could get one set of papers it woud save the person who needs help so much trouble, and it would save time, and with less paperwork instead of a set of forms for each program.

In Wisconsin, I am told—I do not know about this, but perhaps you do—they have a computer system for all this. A person in need of help goes to one place and is adjudicated in need of help or not, and there is no more that they have to prove to any particular agency.

I wondered if we could not encourage the States to do this by maybe giving them a little help with the cost of the computer system rather than continuing this endless paperwork, which helps nobody. It does not help the recipient. It is humiliating for the recipient. I am beginning to get to a point where I really think we just ought to give people money.

Mr. MILLER. You feed the people first. Only 40 percent of the eligible people.

Mrs. FENWICK. I will have to reclaim my time. I am talking about the people. I think we ought to start with the person who needs help, and have one set of papers. Then, that would be determined as to what degree of aid we need for any of the existing programs, and not have to resettle the whole thing with a whole other set of forms.

Is there any way we could encourage the Wisconsin system, the proliferation of that in other States? Is it operating well? Are you aware of the Wisconsin system?

Secretary SCHWEIKER. Let me say, Congresswoman Fenwick, I am aware of the points you made. I think this was the rationale behind this proposal, so that we could consolidate and that we could have a unified approach.

I would be very receptive to the idea of a reimbursement in the computerization. We use that in medicaid and I offered the amendment in the Senate to do that. We found a 5-percent savings automatically with just computerizing the program, and while they are not quite similar, I would suspect that the same situation could well apply here and we would certainly be more than happy to take a look at that.

Mrs. FENWICK. To see if we could encourage the States in that way, because whether it is AFDC, whether it is food stamps, whether it is WIC, whatever it might be, medicaid, a person ought to be able to go once somewhere and have a set of papers that would

show what their level of need is and include, I think, I would wonder if we should not just give them the money for the energy.

I mean, there are some people who are very poor who do not need the kind of heat that an elderly person does. An elderly person died in 65° heat. Well, most of us live in that kind of heat and they may want more money for heat than somebody else who has more need, being young, for a very heavy protein diet.

I mean, I think we would be more sensible and more respectful of human beings if we simply gave them the money, instead of just forcing them to apply time after time and describe their need and receive papers from sometimes indifferent people.

I guess my time is up, Mr. Chairman. I thank you, but I am thinking very heavily in that direction. I wish our food stamps could get out of the Department of Agriculture and into welfare where they belong. I wish we could hand people money and not humiliate them by forcing them to get permission all the time. We are not treating people properly and the categorization and the division, as one social worker told me, an elderly person cannot get into a half empty bus because they are not quite the right title. I mean, this is absurd.

Secretary SCHWEIKER. Well, I think the Congresswoman's points are well taken. I think in many of these areas that we are talking about, we can do exactly what she has suggested and if we need any safeguards, we can put some minimum performance standards in there to make sure that they are performed.

Mrs. FENWICK. And let us have some good criminal action for treatment of children, such as the Congressman has described. I really think that that would be a clear demonstration of what this Congress intends and what you as Secretary intend. Let us have some good criminal action.

Secretary SCHWEIKER. I agree.

Chairman PERKINS. Go ahead, Mr. Andrews.

Mr. ANDREWS. Mr. Chairman, I have a series of written questions. They are somewhat lengthy and a little bit complicated. I have asked a staff member to get copies to provide the Secretary so he can follow the questions better and he has not returned with them so I will pass for the moment. They should be here momentarily.

Oh, wait a minute. Excuse me, Mr. Chairman. I see that Mr. Gordon Raley does have the questions. If you would give those, please, to the Secretary, Mr. Raley.

Mr. Secretary, I refer first to the question entitled subject one.

The administration's budget request for 1983 seeks to eliminate funds for title V of the Older Americans Act, Community Service Employment for Older Americans. While this program is not directly administered by HHS, being administered instead by the Department of Labor, its elimination will impact heavily on a number of programs that are administered by you, particularly elderly nutrition programs. More than 7,000 older workers, funded by title V, work at nutrition sites. These are CRS figures, and an additional 9,800 work at senior citizens, providing a wide variety of supportive services.

The questions are: What will be done to make up for losing these 16,800 workers at senior nutrition sites and centers? What effort

will be made to coordinate the budget proposals on these interrelated programs?

Secretary SCHWEIKER. Congressman, that is a very legitimate question. The problem is, I have all I can do to handle the cuts in the programs that OMB proposes in my Department. When somebody proposes some in another department, I honestly have to say that I did not have a shot at arguing or deliberating or rebutting that; so I really would not be able to respond.

True, it impacts on my Department, but under the jurisdictional way that OMB works, I would not have a crack at that.

Mr. ANDREWS. Well, Mr. Secretary, then may we assume that the loss of these workers who do help to provide meals for senior citizens will not be made up from other sources and, hence, will reduce the number of meals that can be served?

It would seem to me that the only alternative left is that you will have to hire these people and at an additional cost, because these people were hired at very low cost, so it will have to come, I take it, from the meals program and, hence, means less meals for the deserving elderly, qualified elderly.

Mrs. FENWICK. Mr. Chairman, will the gentleman yield?

Mr. ANDREWS. Yes.

Mrs. FENWICK. I have an answer to this. I visited three nutrition centers in New Jersey on Monday. The volunteers, six volunteers in one of them and four in the other, and that is the way they handle that problem.

Mr. ANDREWS. Well, that may be true at a given site or two or three sites, but there are many sites, I presume, that will not be able to accomplish that. I hope all will.

Mrs. FENWICK. Oh, it is very interesting what they do. They get seniors who want to volunteer to help and have nothing to do and it is amazing. Some of the people who come and get a meal volunteer to show the recreational parts of it.

Mr. ANDREWS. Well, that is just fine. I guess theoretically you could just do away with the meals program and hope that in the various communities people would come in, volunteer to give the food, cook it and deliver it and all of that. It is really a Federal program at this time.

Mrs. FENWICK. Far from it; they contract for the food, Congressman. They contract for the food, but the people who provide the recreational additional services are volunteers, very often the ones who get the food. It is a very successful program. It is in Mercer County, N.J.

Mr. ANDREWS. That is very fine. I am speaking nationwide, of course. I hope there are other, and there probably are, places where volunteers can make up the difference. I would suggest that is probably true in I would not know how many places.

Secretary SCHWEIKER. Congressman, let me just respond, even though I cannot respond directly to the title you are interested in. There is an indirect effect that I hope will be positive here and that we do program into our title III part of the act. We aim to increase the percentage for contribution to the program to about 20.5 percent in fiscal year 1983. We think this is a reasonable goal. It will increase income from this part of the program to $120 million.

Mr. ANDREWS. I am sorry. I can hardly hear you, sir. Would you speak more directly to the microphone, one of them, I don't know which one.

Secretary SCHWEIKER. We do have plans for efforts under the title III program, which is a separate thing which will address your problem, to increase the contributory part of the program. We find there are a number of people who can afford and are willing, if asked, to participate financially and we expect to increase the percentage of contributions to 20.5 percent participation, to a $120 million level. This would be a significant step up from before, so we are hoping to fill the gap partially in that way.

Mr. ANDREWS. Well, Mr. Secretary, that is not a new part of the program. For many years, of course, the recipients of meals have been asked to pay you whatever they felt that they could afford to pay.

Secretary SCHWEIKER. It is not a new part, Congressman, you are right; but what is new is a new emphasis on it. For many years it was somewhat taken for granted and sidestepped. We believe we can get the percentage up from 13.3 percent to about 20 percent and increase the voluntary contributions from $79 million to $120 million. We have not yet really utilized and pushed that particular part of the law but you are right, it has been there for some time.

Mr. ANDREWS. I think you are correct, sir. In the ones I have been to, no one has pushed it. At the present time there is something like a box there and an announcement is made that all persons who are able to are asked to contribute, either the total cost of their meal or as large a portion as they feel that they can.

Chairman PERKINS. Mr. Craig.

Mr. CRAIG. Thank you, Mr. Chairman.

Secretary Schweiker, I apologize for not being here earlier to hear your full statement.

I have a couple questions that I would like to ask. It comes to our attention that, in the budget information you provided the staff in an HHS briefing the other day, you indicated certain components of discretionary programs from the Office of Human Development Services; primarily the development and disability projects, the child abuse and prevention projects, and the abortion opportunities project, would be administratively consolidated. The impact of these consolidations would be that the Department would request one appropriation of about $31 million, I think.

Secretary SCHWEIKER. That is correct.

Mr. CRAIG. This appropriation would be for fiscal year 1983. After receiving this, you would determine the specific allocations of these funds.

Now, the Appropriations Committees are unlikely, in my opinion, to appropriate funds without honoring the line item status of these various programs. Are you planning to submit legislation that would amend existing laws so that a consolidated appropriation would be more likely?

Secretary SCHWEIKER. Well, first of all, Congressman, we will keep separate bookkeeping accounts, so that even when we are looking for a consolidated grant or cross-cutting demonstration, we will allocate when that award is made how much money from each of these categorical programs is to be used. We will keep the Con-

gress informed by line item how much of that money would really be attributed to child abuse, how much for runaway youth, for example.

Mr. CRAIG. Is that before the fact or after the fact? Our concern is as it relates to the committees themselves.

Secretary SCHWEIKER. I guess it would be as soon as any individual award is made and we would keep a running tabulation as awards are made. There is no reason we cannot keep you concurrently informed on it; but we will keep the old categorical breakdowns for these funds. I think it is important to do that and I really agree with your point. We are not looking for changes in the authorizing statutes for these programs. All we want here is the opportunity where there is a situation where two or more programs have common issues, such as runaway youths and child abuse, for example, that we can investigate these issues in a joint project, rather than two possibly overlapping projects. We will financially break out the expenditures so that we keep tabs of where we are spending our money and so that we can also be responsive to the Congress in this area.

Mr. CRAIG. All right. Another question is, do you foresee any adverse effect on Head Start projects as a result of the anticipated closing of many of the local community action agencies, given that many Head Start projects share facilities with these agencies?

Secretary SCHWEIKER. I guess you can look at it both ways, Congressman. Most CAA's have multiple funding sources, and administer a variety of programs, including Head Start. So, to some extent the fact that we have not cut Head Start gives those community action agencies some base in which to continue working.

On the other hand, obviously some of the other activities, depending on what the Congress does with our budget, would have to be curtailed. The fact that we are keeping our Head Start program intact does give some CAA's an opportunity to continue in some capacity.

Mr. CRAIG. So you don't see that there would be a conflict there where there is joint housing?

Secretary SCHWEIKER. In what respect?

Mr. CRAIG. Where you would close down one, would it be possible, then, to keep the other open?

Secretary SCHWEIKER. Well, I think that it depends on exactly how each one is structured. It may well mean that where certain Head Start activities were performed by CAA staff they, obviously, would not be able to continue those activities; but by the same token, the staff that was working with Head Start would be able to continue. So I think that the two things can go on simultaneously, with one phasing down and the other continuing. It still would give them a base of some nature from which to operate. I think one thing they could obviously do, is increase their private sector and voluntary efforts, because they would still have some kind of a base through Head Start.

Mr. CRAIG. What is the present staffing level of the Office of Community Services? What reductions are planned in fiscal year 1983?

Secretary SCHWEIKER. It is 218, that is the Office of Community Services.

Mr. CRAIG. That is the current level?

Secretary SCHWEIKER. Right.

Mr. CRAIG. What reductions are planned in 1983?

Secretary SCHWEIKER. Under the new proposal, it would go to 115.

Mr. CRAIG. A number of comments have been made to us that the closeout of the CSA was poorly handled by the administration. Are you aware of any continuing problems in the Office of Community Services that result from the way that CSA was closed out?

Secretary SCHWEIKER. Initially, we had some problems because there was a legal question about how we carried on the function and the personnel involved. I think we have devised a fairly fair way to do it. What we did was to go back and get a roster of all the people who served in the old agency. We put them on a seniority roster and then as we filled the slots, we gave the ones with the most seniority the first opportunity. We have pretty well completed that, so I think initially there was a lot of concern because it was an unusual shift of activity from one department to another; but I think that because we now have gotten the roster intact, because we went right down the list and gave the opportunity to the most senior people to continue in this capacity, I believe most of that has died down.

Mr. CRAIG. What are the lessons, then, that we have learned or derived from the experience of closing out the CSA, some of the things that you are talking about there?

Secretary SCHWEIKER. Well, keep in mind, like so many times before, I was just handed a fait accompli. This was not in my Department. I did not propose to put it in my Department. Somebody said, "Here it is, Mr. Secretary, you've got it."

Mr. CRAIG. You've got it.

Secretary SCHWEIKER. And they dumped the whole thing on me and that is exactly what has happened in some of these other proposals, so I did the best I could once somebody dumped the load.

I mean, if I learned anything, it is look before you dump.

Chairman PERKINS. The time of the gentleman is up.

Mr. Weiss.

Mr. WEISS. Thank you very much, Mr. Chairman.

Mr. Secretary, at the outset, let me apologize if anything that I say by way of my questions or comments may turn out to be offensive in any way. I do not intend it to be, but I must tell you that as difficult as it is for people such as ourselves on this side of the table who have to follow through on the cuts and then explain them to our constituents, and as difficult as it is for people like yourself on that side of the table who have to follow through on the mandates given to you by the Office of Management and Budget as to where you have to cut, the people who face the gravest difficulty are those whose benefits, services, and programs, are in fact being cut back or eliminated.

I know that you have your hands and your time full, so I am sure that you do not have any longer the luxury that we have of going out and meeting with our constituents on a day in and day out, week in and week out basis.

I must tell you that my people would be probably perplexed and upset at the dispassionate manner in which we have been discuss-

ing cuts and eliminations which are going to adversely affect their very lives.

I have some I guess basic questions to ask of you. I have been hearing for the last year and a half about how the truly needy were not going to be affected or impacted, because the administration is going to make sure that that would not happen. Then somewhere along the line about last October, I guess, or August, I heard David Stockman say, "Well, that is really a term of art," and that the definition of truly needy really changes from day to day.

I do not get that impression from you. I think that you are concerned about providing for the truly needy; but the other half of the message that I hear from you, and it seems to me directly contradictory, is that the prime concern is not to provide for the truly needy, but to provide for the truly needy only if budgetary considerations allow.

Now, you correct me if that is wrong.

Secretary SCHWEIKER. Well, Congressman, there is no question that when you make cuts of the order that have been made last year and that are proposed this year, there are impacts that spin off in many different ways.

One of the things I am trying to say as a manager of these programs is that because we have the entitlement programs receiving large increases with basically no questions asked, it puts a tremendous burden in the area that you just mentioned and some people could well say an unfair burden. The problem I see is that this thing keeps growing. The more these entitlement programs escalate and escalate, it is just like a big machine, it eats up all the cash and then we put the squeeze on some of these other programs.

Mr. WEISS. Well, let me stop you right there. I heard you say before that in fact the programs in your budget had been increased by $20 billion between fiscal year 1982 and fiscal year 1983, and that is an 8-percent increase.

Now, I would like an analysis or breakdown of that, because I think that is a misleading figure. Again, I want you to correct me if I am wrong.

My figures indicate that for fiscal year 1982, the various social security, OASI, DI, railroad retirement benefits, and others, went up in fiscal year 1982 of $156.5 billion to $173 billion.

Now, that is $17, or 16½ billion, of the $20 billion right there, isn't it?

Secretary SCHWEIKER. No question; that is the increase in outlays from fiscal year 1982 to fiscal year 1983 for the social security old age survivors, and disability insurance programs.

Mr. WEISS. OK. Now, isn't it also a fact, or you tell me, what percentage of that was picked up by the increases in social security taxes that were imposed, that went up between 1982 and 1983?

Secretary SCHWEIKER. Well, I think there are two aspects of it, Congressman. No. 1 is that the combined trust funds are running at a deficit.

Mr. WEISS. How much?

Secretary SCHWEIKER. What is that?

Mr. WEISS. How much?

Secretary SCHWEIKER. Well, $12,300 every minute; so that the point is that talking about picking up, you have to do more than

pick up. You have to make up for the $12,300 every minute that the trust funds are losing money. That is the problem.

Mr. WEISS. I would like to have you just give us a number, running from fiscal year 1981 through fiscal year 1983, if you will, telling us what it was, what the amounts were that were collected, the amounts that were expended, what the increase in receipts, and what the increase in payouts were.

Secretary SCHWEIKER. Well, in terms of the tax per se, and I want to make clear that that is only a portion of what you are really asking, it went from $167 billion to $187 billion in 1982 to 1983, about $20 billion; but the problem is that we needed more money than that because of the payout problem and the fact that we are decreasing the fund all the time.

Mr. WEISS. Well, excuse me. The taxes collected went from $167 billion to $187 billion; is that what you said?

Secretary SCHWEIKER. Yes. Well, actually, that's total budget authority for the Social Security Administration, which includes the increase in social security taxes from fiscal year 1982 to fiscal year 1983.

Mr. WEISS. That is a $20 billion increase.

Secretary SCHWEIKER. You see, the problem is that our balances have been going down, so that we have been using money out of balances and depleting the fund at the same time.

Mr. WEISS. I know, but the suggestions in your original statement were that in fact it is these people with the entitlements, primarily social security——

Secretary SCHWEIKER. That's right.

Mr. WEISS [continuing]. Who are eating up all these moneys and as a result, disadvantaging the other people in the other programs. In fact, your numbers tell us that with that $20 billion additional, you have the same amount of increase in social security taxes.

Secretary SCHWEIKER. Sure, because here is the point. Maybe I will make it another way, Congressman. You asked for the taxes. The budget authority for SSA, including taxes, covers $167 billion, but the outlays are $174 billion for last year.

In 1983, the budget authority, including taxes, covers $187 billion, but the outlays are $192 billion; so each year we are in, I have to get $5 billion from somewhere else beyond the taxes to make ends meet. If the taxes were paying as you go for social security, you are absolutely right, but they are not and that is the problem.

Mr. WEISS. But again, the implication was that in essence that this was some kind of a——

Secretary SCHWEIKER. The implication was right, because it is grinding out money when you are in deficit. You have to take it from somewhere else.

Mr. WEISS. Well, you have a commitment or a belief that in fact the social security system is one which has the overwhelming support of the American people on the basis of the commitments that have been made for the last 45 years.

Secretary SCHWEIKER. So that these funds together are running a shortfall.

Mr. WEISS. Right.

Secretary SCHWEIKER. Including medicare, and so the point is that we have to get the money beyond that and I have to put it in that to keep up the entitlements in medicare and social security.

Mr. WEISS. Well, you have sat in on Cabinet meetings. When you analyze the security needs of the United States from a defense posture, you don't start with the premise that, well, this is all that we can afford to spend, no matter what the dangers, no matter what the problems. You look at what the needs are and you say, OK, how are we going to fund them?

Now, it seems to me that for an administration that says we are not going to abandon the truly needy, that the thing to do is to see what the truly needy need and then say, OK, how are we going to fund it?

Instead, you say, oh, we have a limit. This is all we can spend.

Secretary SCHWEIKER. Well, the problem is that in many areas we have entitlement programs that are not means tested, so we are paying money in areas where there is no means test and we are denying it in other areas where there is a need. How do you deal with that? Until Congress targets more on need in terms of our entitlement programs, we obviously are putting money where there is no means test while in areas where you have lower income people, we are denying them some money. That is true.

Mr. WEISS. You know, getting away from the giveaway that we engaged in with the tax cuts that we adopted last year, one of the great glories of the social security system is that people have been able to believe honestly, because it has been true for 45 years, that nobody is giving them charity, that they are paying for it. I have had people who refused to go on welfare, even though they desperately need it because, damn it, that is something wrong as far as they were concerned.

Now, what you are suggesting is turning social security into a great big welfare system. Do you think that that is appropriate?

Secretary SCHWEIKER. Well, what has happened is that between COLA's and our new welfare policy in SSI, we used up all the funds we had to spend, too.

Chairman PERKINS. Mr. Corrada.

Mr. WEISS. I yield to the gentleman.

Mr. CORRADA. Mr. Secretary, I welcome you to these hearings.

I would like to start by pointing out a concern that I have about a program that is not under the jurisdiction of this committee, but is under the jurisdiction of your department, and that is medicaid.

As you know, we Puerto Ricans have been citizens of the United States since 1917. We have had a thriving economy. We are in a more economically developed position than anyplace in the Caribbean, Latin America, or South America; but still we have our problems and a large number of medically indigent people. Nevertheless, Congress imposed from the outstart a ceiling on the medicaid program for Puerto Rico. For 10 years we struggled to have an increase in the $30 million medicaid ceiling for Puerto Rico; and last year, thanks to the good efforts of Senator Dole, Senator Moynihan, the Senate Finance Committee, Henry Waxman, and others in the Ways and Means Committee, we were successful in having an increase from $30 million to $45 million in that program.

However, let me point out that in spite of limited Federal resources, the government of Puerto Rico, which is 50 percent as economically developed as the State of Mississippi, puts into medicaid $120 million, and the largest Nation in the world, the United States, for its citizens in Puerto Rico provides $45 million. I would think the least the Federal Government could do under the circumstances is to match the effort of poor Puerto Rico to take care of American citizens there, and I would hope that you would look into this question, Mr. Secretary, and see how Puerto Rico, which is usually neglected by way of the low priority that it generally gets in great matters and concerns under your Department, could fare better under the medicaid program.

I urge you to look into this situation carefully and see what can be planned; perhaps a phased program throughout the State where a better equity could be attained in that program.

As to programs under the jurisdiction of this committee, I would like to ask you—last year in March, you stated that the $692 million then being requested for Older American programs would provide 611,000 daily meals and serve 3.2 million senior citizens in other ways. Yet, the President's budget request for 1983 requests a cut of about $40 million but proposes to provide about the same number of meals and serve the same 3.2 million senior citizens in other ways. The Congressional Budget Office estimates it will take about $785 million in fiscal year 1983 to maintain the same level of services.

My question is, how will you accomplish it with $133 million less?

Secretary SCHWEIKER. Congressman, let me answer your first question that you raised. I think in your first question you made a very valid point. We do have to, in my job, look into inequities and look at fairness, and I think you made a good case in terms of the medicaid situation in Puerto Rico. I have discussed it and considered it before, so I am rather conversant with it, and I say—and I think the Congressman knows this—but I think it is important to say that the administration has some sympathy for that equity and we have set up a task force, working with Rich Williamson of the White House to take a special look at Puerto Rico's problem in this medicaid area.

I think there is a valid claim here, and I think we have a responsibility to try to meet it. I just want to say, I will try to do what I can as part of that group to see that we have some fairness in terms of Puerto Rico. I realize because it is a different situation that it is a bit hard to define in the normal terms, but I think equity would demand that we can define it in a different way than we have up to the present time, so I want to put that in the record and make that statement.

Mr. CORRADA. Thank you, Mr. Secretary, for your response.

Secretary SCHWEIKER. In terms of the Older Americans Act programs, I had fought for level funding, which in my Department is a victory for this program, and we were well on our way to do that. Then we ran into the situation last fall when in September the President, because of the budget crisis and deficit, asked all departments to take a 12-percent cut. So the cut that you are referring to here was not singling out this particular program. It was a 12-per-

cent across-the-board cut that the President asked all the Cabinet officers to accomplish.

Now, I guess part of my response would be one that I made previously, which is that we are planning to increase efforts on contributions in the nutrition program to raise participation from 13 to 20 percent, and from $79 million to $120 million. That will not cover the whole ball of wax, no question about it, but it is an effort to recoup some of that.

Mr. CORRADA. Given the fact that you might be losing 16,800 older workers until title V, the loss of CETA employees because of elimination of that program, and this reduction of $133 million estimated by CBO, are you not really going to have to cut the nutrition programs, or do you feel that you can maintain the level of services on these programs as the President publicly has stated he wants to do because he wants to protect the elderly Americans?

Secretary SCHWEIKER. Well, we are certainly going to try to do everything we can to avoid that, Congressman, but I do not want to mislead you. It will not be easy, quite candidly. We are taking some other steps that are directed toward eliminating some of the problem. We are going to set aside only $1.5 million for evaluation purposes as opposed to the larger amount allowed by the statute, so we expect to pick up several million there, and we are taking a look at management efficiency and improved delivery mechanisms. I do not want to mislead you. It is not going to be easy to do it. We will try to do it.

Mr. CORRADA. Mr. Secretary, there was an article in the Washington Post last Sunday. I guess that is the town paper. It was about the impact of the reduction in force as a result of the procedures in your programs, and they are talking about a very substantial reduction. Are you aware of the situation as described in the Post article?

Secretary SCHWEIKER. At HDS?

Mr. CORRADA. Yes.

Secretary SCHWEIKER. Yes, very aware of it.

Chairman PERKINS. Mr. Kildee.

Mr. KILDEE. Thank you, Mr. Chairman.

Mr. Secretary, as a corollary to the questions of Mr. Weiss, did the administration last year tailor its tax cut to what would be needed to serve those truly needy? Revenues and expenditures for truly needy cannot be considered separately from each other. Was there any consideration of what would be left to serve the truly needy when the tax cut was drafted?

Secretary SCHWEIKER. Well, again I am not in the Treasury Department.

Mr. KILDEE. But you are part of the administration and you have an obligation to look at needs first. Shouldn't the administration consider how much money will be needed to take care of the truly needy and modify their revenue package accordingly?

Secretary SCHWEIKER. Basically I think the objective was to give enough incentive and boost to the economy so that a wide range of problems could be resolved more favorably, including particularly jobs for low-income people. That was the objective and still is, and that is what the administration is trying to do.

Mr. KILDEE. On page 2 of your text, Mr. Secretary, you say that cutting back on these HHS programs will allow the economy to improve and the situation of those served by HHS will also somehow be improved. Could you tell us when we could expect to see that economic improvement? I am particularly concerned because of the severe economic situation faced by my State of Michigan.

I go home every other weekend, and I see human suffering that I have never before seen in my adult lifetime. It is truly a terrible situation there. When may we expect this economic improvement you say will take place as a result of these cuts? When will these people have some hope?

Secretary SCHWEIKER. All I can tell you is what the economic forecasters say to me when I go to the meetings involved. I think they are hopeful that there is going to be a turnaround at the end of the second quarter, the start of the third quarter. That is what their hope and their goal is. It is somewhere in that third-quarter time frame.

Mr. KILDEE. While the economy is improving, and I hope you are right——

Secretary SCHWEIKER. So do I.

Mr. KILDEE. I know we all do. I hope your predictions about economic recovery are true, but in the meantime, what are these people to do? Many people in my congressional district, Mr. Secretary, have exhausted every resource available to them. They do not qualify for Federal assistance. A great number of people have been forced to move back in with their parents. What are they to do?

Secretary SCHWEIKER. Well, I would say, Congressman, that if the economy does not turn up as we hope and expect, we certainly will have to take another look at how these programs are interacting.

Mr. KILDEE. Could we take another look at the tax cut, perhaps?

Secretary SCHWEIKER. Well, again that is not my department, but we are going to have to look at the whole picture.

Mr. KILDEE. Thank you very much.

Chairman PERKINS. Mr. Peyser.

Mr. PEYSER. Mr. Secretary, when you and I were both Republicans, and we seemed to be at that time in our careers fighting on the very same side of the issues, which was mainly to improve and to really construct many of the social programs that are now effectively, I believe, being phased out and ultimately destroyed. Of course, I am now a Democrat and you are a Cabinet member, and we seem to be on different sides of the fence.

Frankly, I do not envy your side. I think I am in a much better position today because I am still fighting for the same thing you and I were fighting for a great many years ago.

I would like to ask you really, in the terms of fairness in just one segment of this whole mammoth problem that we are facing, to take an action that would certainly be courageous and I think applauded by everybody who has dealings with the Social Security Administration about the end of the student benefits program.

The Social Security Administration has clearly indicated in testimony before us, and as you have also indicated, that mistakes were made during the process of informing students as to where they stood about their eligibility.

There was no question, we knew that the Kansas City distributing center was sending out pamphlets dated 1980, and they were sending out information about the law that was no longer in effect. We also found out that there was no effort in an effective way made to notify students of the changes. When the social security people were here, we had in front of us typical ads of what they were saying and where they were printing these ads informing people of the changes. I doubt anybody could tell what those changes were based on those ads. We knew the program, and the ads were unclear to us. The average person would not know at all what is happening, nor would the average student know.

At the regional and local office of the Social Security Administration, and we called half a dozen of the offices, the people there in telephone inquiries could not tell us what the changes were in the social security legislation affecting students, and this was as late as November and December of this last year.

I have been talking with students in schools, and classrooms, who informed me they were told that the program was over. This was back in October and November. Social Security officials told them that there was no longer any opportunity for them to do anything. But this is not the case.

As you know and I know, the program technically is not over until May 1982 for anybody fully enrolled and attending school at that time. So, in fairness to nearly 200,000 young people, I wonder if you could support an effort that is being made now in the Congress to defer the implementation of this cut until October of 1982? This would mean those students who have been both misinformed or not informed at all would have the opportunity of taking advantage of this program. Even though I am against the termination completely, at least in fairness I think if you came out and stated that there have been problems, there have been mistakes, and your department will support and you will support the deferment of the postponement of the enactment of this until October of 1982——

Secretary SCHWEIKER. Well, Congressman, first of all as head of my Department, I certainly accept the responsibility for the situation in terms of the notices. I am as unhappy about it as you are because I do not think we did respond in a way that was as constructive and positive as it should have been:

No. 2, I will personally stay on top of it along with the Social Security Commissioner to make sure that we implement the correction at this stage in terms of what was just asked previously.

No. 3, as you know, the May date is a rather unusual date anyway, but it was picked by the Congress, frankly.

Mr. PEYSER. Mr. Secretary, I will say that the only reason the Congress picked that date was because of the budgetary restraints that had been passed in the Gramm-Latta legislation. That was the only reason. The obvious picking of it was not because Congress wanted to set May, but was because the budgetary restraints said that this program basically has got to end so it will not affect the students going to school in September. But, I do not think it was ever in Congress intention, nor was it yours, not to let students know what was happening. All I am saying now is that, a mistake has been made that we need to correct. While you and I can be sorry about it, it is not going to help. I mean, enrollments have

closed for most of the schools. We are now in March, and I think in fairness we owe these young people at least the opportunity of going on so that those who would have been eligible now can be eligible in September. There will be legislation introduced into the Congress to do that. I think it would show the intent of you and your agency to say that, well, while we do not want to do this, we recognize mistakes have been made and we would support that effort.

Secretary SCHWEIKER. Congressman, the reason that this program is being phased out, as I understand it, is that the last three administrations, including the Carter administration, recommended that this program be phased out.

Mr. PEYSER. I am not even arguing that point any longer, Mr. Secretary. I am just saying that in fairness to nearly 200,000 people who are out there that have been given both misinformation and no information as to what their rights were, and that just does not seem fair to me and I cannot believe it seems fair to you, and that is even as of today.

Secretary SCHWEIKER. Well, I think the problem with the program, as you well know, is that it is not means tested so a lot of people get help who really could get help some other way.

Mr. PEYSER. Once again I am not arguing that point. That is not my point. I hope you would think about this, because I want to yield time to Mr. Ratchford so that he would have time before you have to leave, but I hope you would think about it. I just cannot believe you would support it.

I yield back my time.

Chairman PERKINS. Thank you very much.

Mr. Ratchford.

Mr. RATCHFORD. Thank you, Mr. Chairman.

Mr. Secretary, you have to wear many hats. At this point, I would ask you to put on your aging hat.

Secretary SCHWEIKER. I have a propensity for putting that on anyway.

Mr. RATCHFORD. By way of background, since 1977 I have been involved in aging activities. I chaired a nursing home investigation for Governor Grasso in the State of Connecticut. I was commissioner on aging at cabinet level in Connecticut for 2 years, and since coming here in January 1979, I have been on the Select Committee on Aging. It has been my observation in these different posts that aging services are spread over the Federal Government. There is not a focus. There are not clear lines of responsibility, and therefore advocacy tends to blur.

Can I ask you if you have a working group between Labor, Education, and Budget in your Cabinet level department, focusing on aging services?

Secretary SCHWEIKER. We have had a Cabinet council that I chair that provides a framework to do that. Where we have had a special situation come up, we have assigned a specific working group to a particular problem. My answer would be that we coordinate on an ad hoc basis at the Cabinet level depending on the nature of the problem but not necessarily on a continuing basis.

Mr. RATCHFORD. Did this working group get together to discuss the proposed budget for 1982-83?

Secretary SCHWEIKER. The new budget?

Mr. RATCHFORD. Yes.

Secretary SCHWEIKER. We would not have dealt with that issue, no.

Mr. RATCHFORD. So there has been no input on aging services under the Labor Department or Education Department as they relate to your agency on aging services?

Secretary SCHWEIKER. Well, they have had the input individually with OMB, but not collectively.

Mr. RATCHFORD. As a former commissioner on aging, I am disturbed by a senior jobs program in the Labor Department that is targeted for elimination. It affects 16,500 jobs, and that will impact the administration on aging, because it means nutritionists, it means chefs, it means those who work in the kitchen to prepare the food; it may mean part-time bookkeepers who are responsible for looking at what comes in. Adding nutrition, none of this apparently is considered when you work up your budget to present it to Congress.

Secretary SCHWEIKER. Congressman, I think you have made a constructive suggestion. We will set up a working group on aging. I think that is a valid request. I see the interaction that is lacking in some of these proposals, and unfortunately, looking at them from a departmental-OMB picture, we are not looking at the total picture as much as we might, so I will go back and we will set up a working subgroup.

Mr. RATCHFORD. I certainly would appreciate that because in projecting your budget and the number of meals for this year, certainly removing 16,500 workers would have an impact on that budget. Even though changes as proposed in the USDA regulations would also have an impact, as would the inflation factor, and yet none of those are cranked in purely to your budget when you develop programs for aging in America.

Secretary SCHWEIKER. I think that is a valid point. There is so much cost cutting here that is not all in my Department. So, we will do that. I do want to point out that we are spending 27 percent of the Federal budget on aging problems, even though that does not address the question you asked.

Mr. RATCHFORD. No, that more relates to Mr. Weiss' question earlier.

Earlier this year, you and I and others discussed at length the White House Conference on Aging. I do not see anything this morning in your testimony that will indicate that there will be any attempt to implement any of those recommendations this year. Is that a fair observation?

Secretary SCHWEIKER. Under the statutory requirement, Congressman, the initial report is required by June, and I think we are on target for that. My response as a departmental administrative officer is required by September 1. I think we will meet those deadlines.

Mr. RATCHFORD. So there will be no action or involvement in your recommendations for the budget for 1982–83?

Secretary SCHWEIKER. No, it would be too late in the cycle for that.

Mr. RATCHFORD. So it will be a year before we will have the benefit of any of those recommendations?

Secretary SCHWEIKER. I think that is the normal timing, though. It is just the way the budget cycles are timed. We are not any different in that regard.

Mr. RATCHFORD. We will not then see the effects very soon to home care? They will not be coming forward with any of those?

Secretary SCHWEIKER. We certainly are looking at home care right now in the Department, so I do not want to make a statement at this time. I have a special task force appointed on home care that is looking at it.

Mr. RATCHFORD. One final question. Is there any discussion yet, and I have heard it discussed at the State level and of people involved in day to day operational programs, are you intending to transfer Older Americans Act functions back to the States under the New Federalism? What is your thinking?

Secretary SCHWEIKER. No, that was one of the programs I fought very hard for and won with OMB. We have no intention of transferring it. We feel it is a major priority.

Mr. RATCHFORD. In spite of the related cuts in the senior jobs program or medicaid or fuel assistance?

Secretary SCHWEIKER. I think you have got to go back to the point that a lot of the proposed cuts relate to the September position the President took about a 12-percent across-the-board reduction. The Older Americans Act programs were not singled out unduly. They were part of the 12-percent cut, but all the programs took that cut at that point in the budget cycle.

Mr. RATCHFORD. Thank you, Mr. Secretary.

Chairman PERKINS. Mr. Hawkins, any questions?

Mr. HAWKINS. I understand the Secretary has to leave, Mr. Chairman, so in deference to that, I wish to apologize to the Secretary.

Chairman PERKINS. I understand Mr. Andrews has one question and then I have a couple. I have reserved mine to the last. Go ahead.

Mr. ANDREWS. Mr. Secretary, I had written you a note. May I just read it?

Mr. Secretary, you have been furnished with five questions in writing, subject one through subject five, which questions are posed by the Subcommittee on Human Resources of this full committee. I chair this subcommittee and I request that the Secretary respond to these questions in writing addressed to me. The questions deal with Head Start, the Older Americans Act, and Community Services, all within the jurisdiction of our subcommittee. Our staff director will be pleased to work with your staff in clarifying or otherwise facilitating this exchange. He is Mr. Gordon Raley, and his telephone number is 225-1850, and I will very much appreciate your cooperation to this end.

Secretary SCHWEIKER. We will be delighted to work with them. He has been very positive in the past, helping us get some of this material and I am glad to do it again.

Mr. ANDREWS. I believe that you have and will do so, and I appreciate that, sir.

Chairman PERKINS. Mr. Secretary, in the reconciliation bill, Congress set up the Community Services block grant to replace the Community Services administration, now closed. A discretionary fund was also set up to fund those programs of regional and national significance. Up to 9 percent of the appropriation, it was suggested, should be used to fund those programs.

Now, I understand that there has not been any request for funding this discretionary fund in fiscal year 1983 and this was not the intent of the Congress.

I would like to ask you if you would be willing to reconsider the fact that these programs are so beneficial. I am not talking about starting new programs; I am talking about continuing some programs in the inner cities, and including rural housing in rural areas. Would you consider putting something in this discretionary fund to continue those programs.

Secretary SCHWEIKER. Well, two things, Mr. Chairman. First of all, there was initially, as you well know, because you worked closely on this and have been a leader in this area, there was initially a difference of opinion between the Senate and the House about the amount of money in this program.

Chairman PERKINS. Yes.

Secretary SCHWEIKER. I think you folks had $31 million and the Senate had $5 million, so because there were three different versions of the continuing resolution, that was in dispute for a while and, frankly, we were operating under several different assumptions.

I asked my staff to update me on this matter and to give me a legal opinion, and now at this point in time we concur with what I am sure the committee's opinion is that what the CR has finally passed did mean $31 million, as opposed to $5 million.

I have now gone back to OMB. We are operating under a restraint from OMB, viewing the $5 million, frankly, as the limit of what I was allowed to spend. I have gone back to OMB, Mr. Chairman, and made a specific request, and our legal opinion and analysis is that the intent of Congress is for $31 million. I have that request now pending with OMB. I have not, frankly, heard back from them.

Chairman PERKINS. Let me thank you for that.

Now, as I understand the history, the committee report accompanying H.R. 4560—all right, you are agreeing with it, so I will not go over that legislative history again.

Secretary SCHWEIKER. I am agreeing.

Chairman PERKINS. You have it sized up correctly. I just want to state that.

Secretary SCHWEIKER. All right. I am not sure OMB will agree, but at this point we agree with your statement.

Chairman PERKINS. It is my understanding that you are asking for $258 million in the Older Americans Act for the congregate meal program and $48 million for the home-delivered meals program. When these programs received $295 million and $55 million respectively for fiscal year 1981, it is really hard to reconcile the cutbacks with the President's assurance that none of these cutbacks will affect the elderly; I wonder if there is any way that we could provide more money in that area.

Secretary SCHWEIKER. Well, I have fought for two things for these programs. First, I fought to keep them as categorical programs and not block grant them. Second, I fought to level-fund them.

The problem I ran into, as I mentioned a moment ago, was this September Presidential request of a 12-percent cut applying to all these programs; that still prevails in our budget request at this point in time. As I answered several other Congressmen, it will not be easy to keep the level of service where it was in light of that; but we are going to make every effort to do it. One effort is in increased participant contributions. Another is to cut down some of our overhead expenditures in terms of evaluation, and a third is to deliver services more efficiently. But I don't want to mislead the chairman. It won't be easy.

Chairman PERKINS. Now, I have one additional question. I agree with you all the way on the $31 million, but I have a question for you on the $4 million; you have agreed that $31 million should be available for dicretionary programs under the community services block grant program. How much of this discretionary fund do you intend to spend on rural housing? I just want to make sure that the rural people, like I represent and and those other rural areas of the country, are not ostracized, if you could spend that.

Secretary SCHWEIKER. Mr. Chairman, this would be one of the top priority projects that we would fund with our $31 million. I enumerated about four or five, and I want to assure you that not only is it in the four or five programs that we see of national significance that the Congress intended, but I certainly would give it my personal attention, because I really believe that the rural housing area is important.

Chairman PERKINS. Do you agree with the House report where it specified $4 million for rural housing?

Secretary SCHWEIKER. Right.

Chairman PERKINS. Are there any quick questions, anybody?

Let me thank you very much, Mr. Secretary. We appreciate your appearance here this morning. We will have you back up here sometime. I think all the members appreciate your coming up here today.

The committee is adjourned.

[Whereupon, at 11 a.m., the committee was adjourned.]

[Material submitted for inclusion in the record follows:]

THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

29 APR 1982

The Honorable Carl D. Perkins
Chairman
Committee on Education and Labor
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This is in response to your letter of March 11, 1982 with reference to my March 3 appearance before your Committee on Education and Labor.

Enclosed are answers to the questions several Members of the Committee submitted after the hearing. In addition, I have enclosed under the "other" section responses to the questions on Head Start, the Older Americans Act, the Community Services Block Grant and the Low Income Energy Assistance Block Grant, which were hand delivered to me during the hearing.

Sincerely yours,

Richard S. Schweiker
Secretary

Enclosure

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CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
COMMITTEE ON EDUCATION AND LABOR
2181 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515

March 11, 1982

QUESTIONS OF REPRESENTATIVE BILL GOODLING on Black Lung:

1. How many recipients are receiving black lung benefits under Social Security?

2. How many of those are ex-miners? How many widows? How many other survivors?

3. What is the present benefit payment for one ex-miner, with no dependents? with one dependent? or with three or more dependents?

4. Does Social Security take any action to make sure beneficiaries are not receiving both Dept. of Labor benefits and Social Security benefits? Or State benefits and Social Security benefits?

5. Although the number of beneficiaries of Social Security has decreased since last year, the cost of the program has risen. What are the costs projected in future years?

6. Certain States have benefits for a certain period of time. Will Social Security, if a claim has been filed, pick up those benefits in the future and have those cost figures been projected?

7. Is there any truth to the allegation that after the 1978 amendments, Social Security denied a number of claims, sent them to the Department of Labor as denied claims, and then the Department of Labor sent them back in order to have more approvals (looking for at least a 30% rate of approval) in view of Congressional pressure?

8. Does (or did) Social Security have any regs on how a claims examiner could deny a claim? If Social Security approves a claim and sends it to the Department of Labor for payment, is there any way the Department of Labor can question or deny that claim if it does not meet eligibility criteria?

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9. Should the Department of Labor find, in the file, probative medical evidence that the claimant did not have black lung (and the Social Security has awarded that claim), what procedures take place to have that claim disapproved? For instance, there is an autopsy report of no black lung, but Social Security has awarded on the basis of a widow's affidavit-- will Social Security deny that claim if called to its attention?

10. Has the Inspector General reviewed Social Security practices since the 1978 amendments? Are there any I.G. reports?

11. Is Social Security taking any action to collect claims improperly paid--i.e., payments to an ex-wife rather than a widow, or to a remarried widow, or to children who are now adults?

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## Black Lung

1. How many recipients are receiving black lung benefits under Social Security?

   Response:

   As of February 1982, there were 372,242 people receiving monthly benefits under the Part B black lung program administered by the Social Security Administration.

2. How many of those are ex-miners? How many widows? How many other survivors?

   Response:

   As of February 1982, the number of beneficiaries in each of those categories is:

| | |
|---|---|
| Ex-miners | 109,573 |
| Widows | 145,948 |
| Spouses and Children | 116,606 |
| Surviving Parents, Brothers, and Sisters | 115 |
| Total | 372,242 |

3. What is the present benefit payment for one ex-miner, with no dependents? with one dependent? or with three or more dependents?

   Response:

   The March 1982 monthly black lung benefit amounts are:

| | |
|---|---|
| Miner (or widow) only | $293.20 |
| Miner (or widow) with one dependent | $439.80 |
| Miner (or widow) with two dependents | $513.10 |
| Miner (or widow) with three (or more) dependents | $586.40 |

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Black Lung

4. Does Social Security take any action to make sure beneficiaries are not receiving both Department of Labor benefits and Social Security benefits? or State benefits and Social Security benefits?

Response:

SSA sends a computer tape of Part B black lung beneficiaries to DOL so that DOL can run a cross-check to determine if any Part C black lung recipients were also getting Part B black lung benefits.

Although no new Part B claims can be filed, some Part B black lung claims are still pending in the Federal Courts. Whenever one of these denied Part B black lung claims is reversed by the courts in favor of the claimant, current SSA procedures require the SSA adjudicator authorizing the payment of the Part B benefits to contact DOL to determine whether the claimant is receiving Part C black lung benefits or has a Part C claim pending. If Part C benefits are being paid, DOL forwards to SSA a worksheet summarizing the Part C payments so that the retroactive Part B benefits can be reduced by the amount of the Part C benefits paid to the claimant.

The Part B black lung benefits of a miner are reduced if the miner receives a State workers' compensation (WC) benefit based on pneumoconiosis. Therefore, before a person could become entitled to Part B black lung benefits, SSA required him to file a claim under the applicable State WC law unless such filing would have been clearly futile. At the time a person filed an application for Part B benefits, SSA asked if he had filed for State WC and the disposition of his claim. If he had been awarded WC, SSA obtained benefit information to do the necessary offset. If he had not filed for WC, he was directed to do so, and SSA diaried the case for follow-up.

To improve our capacity to monitor these cases, SSA will conduct a pilot-matching operation using State WC data in order to evaluate the usefulness of such data in administering the Part B black lung program. This action results in part from the October 1979 GAO recommendation that SSA should obtain State data to verify benefit determinations in SSA-administered programs, including black lung.

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Black Lung

5. Although the number of beneficiaries of Social Security has decreased since last year, the cost of the program has risen. What are the costs projected in future years?

Response:

The benefit outlays and projected numbers of beneficiaries for the Part B black lung program are:

| | Benefit Outlays (In billions) | Beneficiaries |
|---|---|---|
| FY 1981 | $1.086 | 394,000 |
| FY 1982 (estimated) | $1.092 | 374,000 |
| FY 1983 (estimated) | $1.096 | 355,000 |
| FY 1984 (estimated) | $1.091 | 335,000 |
| FY 1985 (estimated) | $1.089 | 316,000 |
| FY 1986 (estimated) | $1.085 | 297,000 |
| FY 1987 (estimated) | $1.078 | 278,000 |

The increased program costs through FY 1983 result because the black lung benefit amounts are automatically raised, by law, when the salary of a Federal employee in Grade GS-2 is raised--generally at the beginning of the fiscal year. After 1983, benefit outlays are projected to decrease each year because the estimated benefit increases are not high enough to offset the effect of the decline in the beneficiary rolls.

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Black Lung

6. Certain States have benefits for a certain period of time. Will Social Security, if a claim has been filed, pick up those benefits in the future and have those cost figures been projected?

Response:

If a miner is entitled to Part B black lung benefits which are being offset because the miner receives State benefits on account of pneumonconiosis and the State benefits stop, the offset against his Part B black lung benefits will be removed. Cost figures for these cases have not been projected.

7. Is there any truth to the allegation that after the 1978 amendments, Social Security denied a number of claims, sent them to the Department of Labor as denied claims, and then the Department of Labor sent them back in order to have more approvals (looking for at least a 30 percent rate of approval) in view of Congressional pressure?

Response:

No, the allegation is incorrect; the actual events were as follows:

In the latter half of 1978, after the Social Security Administration had rereviewed some of the previously denied Part B black lung claims as required under the 1977 Black Lung Amendments, the Secretary of Health, Education, and Welfare (now HHS) and the Commissioner of Social Security reviewed the Social Security procedures for adjudicating those claims. They decided, in consultation with HHS's Office of the General Counsel, that the entitlement criteria being used to rereview these claims could be modified to make them more consistent with the 1977 amendments and congressional intent. Because SSA had already transferred about 16,000 cases to the Department of Labor, SSA had to recall those previously denied Part B black lung claims from DOL in order to adjudicate them under the revised criteria. DOL was not directly involved in the decision to modify the entitlement criteria.

8. Does (or did) Social Security have any regulations on how a claims examiner could deny a claim? If Social Security approves a claim and sends it to the Department of Labor for payment, is there any way the Department of Labor can question or deny that claim if it does not meet eligibility criteria?

Response:

The Social Security Administration published regulations implementing the Part B black lung program in Title 20, Chapter III, Part 410 of the Code of Federal Regulations in 1971. The regulations for the review of denied and pending Part B black lung claims under the 1977 Black Lung Amendments are in Subpart G.

A determination of entitlement to black lung benefits made by SSA is binding on the Department of Labor (DOL) as an initial determination of eligibility.

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Black Lung

9. Should the Department of Labor find, in the file, probative medical evidence that the claimant did not have black lung (and the Social Security has awarded that claim), what procedures take place to have that claim disapproved? For instance, there is an autopsy report of no black lung, but Social Security has awarded on the basis of a widow's affidavit--will Social Security deny that claim if called to its attention?

Response:

SSA's initial determination that a person was entitled to black lung benefits is not subject to review by the Department of Labor (DOL). However, if a Responsible Mine Operator (RMO) is responsible for the payment of the benefits in such a claim, the RMO could appeal the allowance, and DOL would have jurisdictional responsibility for making the appeal decision. SSA would not be involved in the appeal.

10. Has the Inspector General reviewed Social Security practices since the 1978 amendments? Are there any I.G. reports?

Response:

The Inspector General has reviewed Social Security practices with regard to black lung benefits since the 1977 amendments. He issued a report on February 4, 1982, entitled "Legislation Is Needed to Permit Enforcement of Earnings Test Provisions of the Black Lung Program." This report discusses a legislative proposal to permit the use of tax return information in black lung earnings enforcement.

In addition, Inspector General reviews that are in a pre-report stage are:

- o Ineligible Children/Students Receiving Black Lung Benefits;
- o Match of Black Lung Miners to the Master Beneficiary Records;
- o Legislation Is Needed to Phase-Out Black Lung Student Benefits; and
- o Review of Black Lung Payments for Spouses and Widows of Coal Miners.

11. Is Social Security taking any action to collect claims improperly paid -- i.e. payments to an ex-wife rather than a widow, or to a remarried widow, or to children who are now adults?

Response:

Part B black lung overpayments are included as part of SSA's debt management initiative to collect debts owed to it. To recoup these black lung overpayments, SSA follows the same procedures used to recover overpayments in the title II Social Security program. In addition, SSA withholds retroactive Part B black lung benefits that are awarded to an individual, generally as the result of a Federal court decision on a long-pending Part B claim, for the same months for which he has already been paid Part C black lung benefits. This procedure prevents payments of Part C overpayments which DOL would otherwise have to try to recover.

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March 11, 1982

QUESTIONS OF REPRESENTATIVE THOMAS E. PETRI on Low Income Energy Assistance:

1. It is our understanding that the Administration is considering a formula change for this program. Is this information correct, and if so, when can the Congress expect to receive legislation proposing these changes?

2. Although we recognize that final reports for this program are not in, what are the preliminary reports on the utilization of funds under this program? Are there areas of the country that are experiencing a shortage of funds?

3. We also hear that the reporting requirements for this program will be reduced. Which requirements are you planning to eliminate? Given the need for data to answer questions such as - how much funding is needed for the program?, and what are the areas of greatest need?, - what is the rationale for reducing the reporting requirements?

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Question #1: It is our understanding that the Administration is considering a formula change for this program. Is this information correct, and if so, when can the Congress expect to receive legislation proposing these changes?

Answer: The Administration is exploring the possibility of proposing a formula change to target funds to States with greater heating assistance needs. However, no decisions have been made and no legislation is being submitted at this time.

Question #2: Although we recognize that final reports for this program are not in, what are the preliminary reports on the utilization of funds under this program? Are there areas of the country that are experiencing a shortage of funds?

Answer: We will not have detailed information on the utilization of funds under this program for FY 1982 until the final reports are in. However, we have conducted a special one-time telephone survey to collect information on the utilization of funds, including estimated obligations, transfers of funds to other block grants, estimated households served, average and maximum benefits and State eligibility guidelines.

Although we have not received written confirmation, the attached charts show the responses by States to the survey. The responses, which are based on preliminary estimates by States, indicated that about 66% of the total $1.856 billion granted to States had been obligated by March 31.

Data published by the Department of Commerce shows that, as of March, four regions of the country had experienced colder winters this year than last year. These were the East North Central, West North Central, Mountain, and Pacific Regions. These regions appear to have ample Low Income Energy Assistance funds available. As of March 31, the following average percentage of funds had been obligated:

| | |
|---|---|
| East North Central | 66% |
| West North Central | 64% |
| Mountain | 62% |
| Pacific | 48% |

Thus, on average in these regions, States have 1/3 to 1/2 of their funds uncommitted as of the end of March. Also, 17 of the 23 States have elected to transfer up to 10% of their LIHEAP funds to other block grants.

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OBLIGATIONS MAR 01 -

| | ALLOCATION RECEIVED | ESTIMATED OBLIGATIONS 3/31/02 | ESTIMATED PERCENT OF FUNDS OBLIGATED |
|---|---|---|---|
| Alabama | 16,005,323 | 14,005,818 | 88 |
| Alaska | 7,587,119 | 3,200,000 | 42 |
| Arizona | 6,982,726 | 1,345,000 | 19 |
| Arkansas | 12,268,455 | 6,550,642 | 53 |
| California | 85,080,915 | 23,000,000 | 27 |
| Colorado | 20,074,454 | 20,074,454 | 100 |
| Connecticut | 39,233,186 | 21,700,000 | 55 |
| Delaware | 5,207,450 | 3,995,000 | 77 |
| District of Columbia | 6,092,978 | 2,000,000 | 33 |
| Florida | 25,436,045 | 3,363,636 | 13 |
| Georgia | 20,114,674 | 19,200,000 | 95 |
| Hawaii | 2,025,674 | 2,025,000 | 99.9 |
| Idaho | 11,639,433 | 4,000,000 | 34 |
| Illinois | 108,590,685 | | |
| Indiana | 49,166,812 | 39,200,000 | 80 |
| Iowa | 34,845,178 | 26,134,000 | 75 |
| Kansas | 15,973,668 | 9,000,000(1) | 56 |
| Kentucky | 25,586,242 | 11,000,000 | 43 |
| Louisiana | 16,403,029 | 5,364,623(1) | 33 |
| Maine | 25,365,478 | 21,483,018 | 85 |
| Maryland | 30,040,354 | 21,221,829 | 71 |
| Massachusetts | 78,460,451 | 78,460,451 | 100 |
| Michigan | 103,003,313 | 47,800,000 | 47 |
| Minnesota | 74,275,799 | 58,288,820 | 78 |
| Mississippi | 13,764,396 | 4,116,351(2) | 30 |
| Missouri | 43,375,360 | 25,707,948 | 59 |
| Montana | 11,107,295 | 8,624,225 | 78 |
| Nebraska | 17,210,909 | 9,300,000 | 54 |
| Nevada | 3,635,182 | 2,240,000 | 62 |
| New Hampshire | 14,854,643 | 11,000,000 | 74 |
| New Jersey | 72,721,611 | 47,000,000 | 65 |
| New Mexico | 9,184,279 | 7,095,014 | 78 |
| New York | 237,758,713 | 178,800,000 | 75 |
| North Carolina | 35,452,156 | 29,100,000 | 82 |
| North Dakota | 13,196,943 | 8,581,482 | 65 |
| Ohio | 96,064,681 | 65,000,000 | 68 |
| Oklahoma | 14,537,356 | 10,057,521 | 69 |
| Oregon | 23,308,973 | 13,238,754 | 57 |
| Pennsylvania | 127,779,600 | 89,700,000 | 70 |
| Rhode Island | 12,918,151 | 12,918,151 | 100 |
| South Carolina | 12,769,398 | 5,044,900(2) | 40 |
| South Dakota | 10,440,227 | 6,400,000 | 61 |
| Tennessee | 25,918,315 | 12,000,000 | 46 |
| Texas | 42,324,626 | 16,462,000 | 39 |
| Utah | 13,537,172 | 8,200,000 | 61 |
| Vermont | 11,134,008 | 10,500,000 | 94 |
| Virginia | 36,582,811 | 32,500,000 | 89 |
| Washington | 37,352,107 | 22,842,000 | 61 |
| West Virginia | 16,932,369 | 13,021,789 | 77 |
| Wisconsin | 66,858,884 | 46,000,000 | 69 |
| Wyoming | 5,595,550 | 3,529,900 | 63 |
| TOTAL | 1,747,782,471(3) | 1,151,502,227(3) | 66(3) |

(1) excludes administration

(2) estimate as of 2/28/02

(3) excluding Illinois

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OEA/DPE
3/25/82

## TRANSFERS OUT OF THE LINEUP

| | | |
|---|---|---|
| Tranfers Completed | 21 States | $52 million |
| Transfers Intended | 18 States | $40 million |
| Total | 33 States | $92 million |

| | COMPLETED | | INTENDED | | |
|---|---|---|---|---|---|
| | AMOUNT | TO | AMOUNT | TO | TOTAL |
| Alabama | 747,684 | SSBG | 1,495,369 | SSBG | 2,243,053 |
| Alaska | -0- | N/A | 70,000 | MCH | 70,000 |
| Arizona | -0- | N/A | -0- | N/A | -0- |
| Arkansas | 411,138 | SSBG | 1,145,595 | SSBG | 1,556,733 |
| California | 8,500,000 | SSBG | -0- | N/A | 8,500,000 |
| Colorado | -0- | N/A | -0- | N/A | -0- |
| Connecticut | -0- | N/A | -0- | N/A | -0- |
| Delaware | -0- | N/A | -0- | N/A | -0- |
| District of Columbia | -0- | N/A | -0- | N/A | -0- |
| Florida | 1,804,000 | SSBG | 2,376,476 | SSBG | 4,180,476 |
| Georgia | 1,879,303 | MCH and SSBG | -0- | N/A | 1,879,303 |
| Hawaii | -0- | N/A | -0- | N/A | -0- |
| Idaho | 662,000 | MCH | -0- | N/A | 662,000 |
| Illinois | -0- | N/A | -0- | N/A | -0- |
| Indiana | -0- | N/A | -0- | N/A | -0- |
| Iowa | 1,600,000 | SSBG | -0- | N/A | 1,600,000 |
| Kansas | -0- | N/A | 1,600,000 | SSBG | 1,600,000 |
| Kentucky | 1,890,000 | MCH and SSBG | 450,000 | MCH and SSBG | 2,340,000 |
| Louisiana | 1,532,526 | MCH and SSBG | -0- | N/A | 1,532,526 |
| Maine | -0- | N/A | -0- | N/A | -0- |
| Maryland | -0- | N/A | 2,200,000 | SSBG | 2,200,000 |
| Massachusetts | -0- | N/A | -0- | N/A | -0- |
| Michigan | -0- | N/A | 9,623,646 | SSBG | 9,623,646 |
| Minnesota | -0- | N/A | 1,000,000 | CSBG | 1,000,000 |
| Mississippi | -0- | N/A | 700,000 | MCH | 700,000 |
| Missouri | 4,059,384 | SSBG | -0- | N/A | 4,059,384 |
| Montana | -0- | N/A | 834,000 | SSBG | 834,000 |
| Nebraska | 1,612,822 | SSBG | -0- | N/A | 1,612,822 |
| Nevada | 340,000 | CSBG | -0- | N/A | 340,000 |
| New Hampshire | -0- | N/A | -0- | N/A | -0- |
| New Jersey | -0- | N/A | 6,794,343 | MCH and SSBG | 6,794,343 |
| New Mexico | -0- | N/A | Unknown | Unknown | -0- |
| New York | 16,600,000 | SSBG | $6,600,000 | SSBG | 22,200,000 |
| North Carolina | -0- | N/A | 724,000 | MCH and P.H. | 724,000 |
| North Dakota | 116,068 | SSBG | -0- | N/A | 116,068 |
| Ohio | -0- | N/A | -0- | N/A | -0- |
| Oklahoma | -0- | N/A | -0- | N/A | -0- |
| Oregon | 2,177,745 | SSBG | -0- | N/A | 2,177,745 |
| Pennsylvania | -0- | N/A | -0- | N/A | -0- |
| Rhode Island | -0- | N/A | Undecided | Undecided | -0- |
| South Carolina | -0- | N/A | -0- | N/A | -0- |
| South Dakota | 975,350 | SSBG | -0- | N/A | 975,350 |
| Tennessee | 1,455,812 | ADAMHA | -0- | N/A | 1,455,812 |
| Texas | -0- | N/A | -0- | N/A | -0- |
| Utah | -0- | N/A | 332,000 | SSBG | 332,000 |
| Vermont | 150,000 | SSBG | -0- | N/A | 150,000 |
| Virginia | -0- | N/A | 2,000,000 | SSBG | 2,000,000 |
| Washington | 1,206,594 | CSBG | 2,280,672 | SSBG | 3,487,266 |
| West Virginia | 1,423,624 | SSBG | -0- | N/A | 1,423,624 |
| Wisconsin | 2,800,000 | SSBG | Undecided | N/A | 2,800,000 |
| Wyoming | -0- | N/A | 800,000 | SSBG | 800,000 |
| | $52,944,150 | | $39,728,901 | | $92,673,051 |

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| STATE | ESTIMATED EXPENDITURES | ESTIMATED HOUSEHOLDS | ESTIMATED AVERAGE BENEFIT | ESTIMATED MAXIMUM BENEFIT (INCLUDING CRISIS) |
|---|---|---|---|---|
| Alabama | 8,802,928 | 190,600 | 46 | 228 |
| Alaska | 6,850,000 | 7,600 | 780 | 1,162 |
| Arizona | 3,200,000 | 35,000 | 91 | 700 |
| Arkansas | 4,798,957 | 50,000 | 96 | 283 |
| California | 62,000,000 | 650,000 | 92 | 600 |
| Colorado | 24,000,000 | 82,000 | 293 | 454 |
| Connecticut | 31,620,000 | 75,000 | 385 | 1,369(2) |
| Delaware | 3,713,645 | 14,500 | 256 | 690 |
| District of Columbia | 4,465,274 | 10,000 | 447 | 750 |
| Florida | 16,732,944 | 120,000 | 139(1) | 722 |
| Georgia | 13,986,539 | 97,100 | 144 | 682 |
| Hawaii | 1,825,000 | 24,000 | 76 | 372 |
| Idaho | 8,000,000 | 26,000 | 308 | 460 |
| Illinois | | 500,000 | | 750 |
| Indiana | 28,000,000 | 125,000 | 224 | 643 |
| Iowa | 24,859,934 | 89,000 | 279 | 822 |
| Kansas | 9,000,000 | 60,000 | 150 | 501 |
| Kentucky | 5,100,000 | 32,000 | 159 | 250(3) |
| Louisiana | 6,368,623 | 116,423 | 46 | 85 |
| Maine | 19,100,338 | 48,000 | 398 | 645 |
| Maryland | 18,592,312 | 71,777 | 259 | 428 |
| Massachusetts | 66,692,383 | 175,000 | 381 | 760 |
| Michigan | 72,100,000 | 600,000 | 120 | 430(2) |
| Minnesota | 57,000,000 | 120,000 | 475 | 885 |
| Mississippi | 10,287,639 | 66,717 | 153 | 200 |
| Missouri | 31,167,302 | 146,000 | 213 | 828 |
| Montana | 5,000,000 | 14,500 | 345 | 1,250 |
| Nebraska | 10,200,000 | 32,000 | 319 | 1,125 |
| Nevada | 1,600,000 | 8,000 | 200 | 700 |
| New Hampshire | 10,715,539 | 23,000 | 469 | 650 |
| New Jersey | 55,850,000 | 200,000 | 278 | 750 |
| New Mexico | 6,621,645 | 38,000 | 174 | 600 |
| New York | 167,800,000 | 1,000,000 | 168 | 450 |
| North Carolina | 21,286,000 | 146,000 | 146 | 714 |
| North Dakota | 7,597,000 | 12,156 | 625 | 2,042 |
| Ohio | 61,372,868 | 320,000 | 192 | 650 |
| Oklahoma | 8,657,521 | 70,938 | 122 | 200 |
| Oregon | 14,663,438 | 86,255 | 170 | 850 |
| Pennsylvania | 95,834,700 | 375,000 | 256 | 400(4) |
| Rhode Island | 7,400,000 | 33,000 | 224 | 780 |
| South Carolina | 9,056,041 | 60,666 | 149 | 210 |
| South Dakota | 6,000,000 | 16,000 | 375 | 795 |
| Tennessee | 16,473,370 | 72,516 | 227 | 300 |
| Texas | 14,962,000 | 200,000 | 75 | 180 |
| Utah | 9,520,000 | 27,000 | 352 | 1,250 |
| Vermont | 7,300,000 | 20,000 | 365 | none |
| Virginia | 32,800,000 | 96,252 | 338 | 900 |
| Washington | 20,881,853 | 110,000 | 190 | 625 |
| West Virginia | 8,000,000 | 53,472 | 150 | 400 |
| Wisconsin | 37,000,000 | 145,000 | 264 | 344(2) |
| Wyoming | 3,885,650 | 10,020 | 389 | 1,300 |
| TOTAL | 1,166,959,242 | 6,186,435(5) | 188(5) | |

(1) Includes cooling

(2) Heating maximum only

(3) Heating or crisis maximum

(4) Crisis maximum only

(5) Excluding Illinois

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| STATE | 4-PERSON HOUSEHOLD INCOME MAY AS % OF POVERTY(1) | ASSETS TESTS | VULNERABILITY TEST | AUTOMATIC PAYMENT CATEGORIES | ELIGIBLE COLLEGE STUDENTS |
|---|---|---|---|---|---|
| Alabama | | Yes | | AFDC,SSI St. Supp. | |
| Alaska | 176 | | Yes | | Yes |
| Arizona | 125 | | Yes | | |
| Arkansas | 85(2) | Yes | Yes | F.S. | |
| California | 133 | Yes | Yes | | |
| Colorado | 125 | Yes | Yes | (4) | |
| Connecticut | 150 | | Yes | | |
| Delaware | 135 | | Yes | | Yes(6) |
| Dist. of Col. | 150 | | Yes | | |
| Florida | 100 | | Yes | | |
| Georgia | 125 | | Yes | | |
| Hawaii | 67 | Yes | Yes | AFDC,SSI,GA,AAWD | |
| Idaho | 125 | | Yes | | |
| Illinois | 125 | | Yes | AFDC | |
| Indiana | 115 | | Yes | | |
| Iowa | 150 | | Yes | | |
| Kansas | 162 | | Yes | | |
| Kentucky | 150 | Yes | Yes | | |
| Louisiana | 143 | Yes | Yes | AFDC,SSI,F.S. | |
| Maine | 125 | | | | |
| Maryland | 161 | | Yes | | |
| Massachusetts | 169 | | Yes | | |
| Michigan | 173 | | Yes | AFDC(5),GA | |
| Minnesota | 173 | | Yes | | |
| Mississippi | 125 | Yes | Yes | | |
| Missouri | 151 | | Yes | | |
| Montana | 125 | | | | |
| Nebraska | 147 | Yes | Yes | | |
| Nevada | 125(2) | | Yes | | |
| New Hampshire | 125 | | Yes | | |
| New Jersey | 125 | | Yes | AFDC,SSI | |
| New Mexico | 150 | | Yes | | |
| New York | 150 | | | AFDC,SSI,GA | |
| North Carolina | 150 | Yes | Yes | | |
| North Dakota | 150 | Yes | Yes | | |
| Ohio | 150 | | Yes | | |
| Oklahoma | 120 | Yes | Yes | | |
| Oregon | 125 | | Yes | | |
| Pennsylvania | 125 | | Yes | | |
| Rhode Island | 154 | | Yes | | |
| South Carolina | 95 | | | | |
| South Dakota | 150 | | Yes | | |
| Tennessee | 100(2) | | Yes | | |
| Texas | 111 | Yes | Yes | AFDC,SSI,FS | |
| Utah | 151 | | Yes | | Yes |
| Vermont | 125 | Yes | Yes | | |
| Virginia | 150(3) | Yes | Yes | | |
| Washington | 125 | | Yes | | |
| West Virginia | 100 | | Yes | | |
| Wisconsin | 150 | Yes | Yes | SSI | |
| Wyoming | 148 | | Yes | | |

(1)All income criteria reported by States were converted to a percentage of the poverty income guidelines for purposes of comparison. Some maximum levels exceed 150% of poverty because 60% of the States median income is above that level. States were permitted to choose the higher level.

(2)Different criteria for elderly and/or handicapped.

(3)Eligibility varies by location.

(4)AFDC, Aid to Needy and Disabled, Aid to Blind, Old Age Pension, Non-categorical refugees

(5)AFDC paid under title IVA or with State funds

(6)If in private housing and meet the eligibility criteria

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CRISIS ASSISTANCE

| | ESTIMATED EXPENDITURES | ESTIMATED HOUSEHOLDS SERVED | ESTIMATED AVERAGE BENEFIT | 4-PERSON HOUSEHOLD INCOME MAX AS % OF POVERTY(1) |
|---|---|---|---|---|
| Alabama | 2,400,798 | 29,807 | 80 | 125 |
| Alaska | 250,000 | 750 | 333 | 176 |
| Arizona | 495,000 | 2,200 | 225 | 125(2) |
| Arkansas | 440,000 | 913 | 482 | 100(2) |
| California | 5,400,000 | 45,000 | 120 | 150 |
| Colorado | 2,100,000 | 8,500 | 247 | 125 |
| Connecticut | 1,500,000 | 7,500 | 200 | 150 |
| Delaware | 243,265 | 15,000 | 16 | 135 |
| District of Columbia | 164,510 | 1,096 | 150 | 150 |
| Florida | 575,336 | 6,275 | 92 | 100 |
| Georgia | 24,400 | 244 | 100 | 125 |
| Hawaii | 200,000 | 2,000 | 100 | 67 |
| Idaho | 0 | 0 | | |
| Illinois | 3,257,720 | | | |
| Indiana | 8,850,026 | 15,000 | 590 | 115 |
| Iowa | 1,150,000 | 5,751 | 200 | 150 |
| Kansas | 1,000,000 | 6,370 | 157 | 162 |
| Kentucky | 12,400,000 | 60,000 | 207 | 150 |
| Louisiana | 0 | 0 | | |
| Maine | 335,842 | 1,200 | 280 | 125 |
| Maryland | 3,695,112 | 18,475 | 200 | 161 |
| Massachusetts | 784,604 | 1,750 | 448 | 169 |
| Michigan | 24,000,000 | 60,000 | 400 | 173 |
| Minnesota | 0 | 0 | | |
| Mississippi | 425,318 | 2,780 | 153 | 125 |
| Missouri | 1,300,000 | | | 151 |
| Montana | 248,000 | | | 125 |
| Nebraska | 400,000 | 2,000 | 200 | 147 |
| Nevada | 100,000 | 725 | 138 | 125 |
| New Hampshire | 568,186 | 3,700 | 154 | 125 |
| New Jersey | 5,000,000 | 15,000 | 333 | 125 |
| New Mexico | 0 | 0 | | |
| New York | 5,000,000 | 20,000 | 250 | 150 |
| North Carolina | 2,096,000 | 14,000 | 150 | 150 |
| North Dakota | 260,000 | 1,200 | 217 | 150 |
| Ohio | 14,409,703 | 80,000 | 180 | 150 |
| Oklahoma | 0 | 0 | | |
| Oregon | 300,000 | 1,500 | 200 | 125 |
| Pennsylvania | 8,944,572 | 0 | | 125 |
| Rhode Island | 2,400,000 | 20,000 | 120 | 164 |
| South Carolina | 646,860 | 12,934 | 50 | 95 |
| South Dakota | 300,000 | 2,000 | 150 | 150 |
| Tennessee | 467,000 | 23,500 | 20 | 100(2) |
| Texas | 1,000,000 | 0 | | 111 |
| Utah | 159,564 | 10,000 | 16 | 151 |
| Vermont | 800,000 | 2,600 | 192 | 150 |
| Virginia | 0 | 0 | | |
| Washington | 4,000,000 | 10,000 | 400 | 125 |
| West Virginia | 1,000,000 | 5,000 | 200 | 100 |
| Wisconsin | 1,700,000 | 8,280 | 206 | 150 |
| Wyoming | 5,000 | 20 | 250 | 148 |
| TOTAL | 120,496,816 | 523,150 | 221(3) | |

(1) All income criteria reported by States were converted to a percentage of the poverty income guidelines for purposes of comparison. Some maximum levels exceed 150% of poverty because 60% of the State's median income is above that level. States were permitted to choose the higher level.

(2) different criteria for elderly and/or handicapped.

(3) excluding those States that did not report estimated households served.

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MAR 30

| | WEATHERIZATION | | | | |
|---|---|---|---|---|---|
| | ESTIMATED EXPENDITURES | ESTIMATED HOUSEHOLDS SERVED | ESTIMATED AVERAGE BENEFIT | 4-PERSON HOUSEHOLD INCOME MAY AS % OF POVERTY(1) | SUBSIDIZED HOUSING |
| Alabama | 2,242,003 | 2,100 | 1,068 | 125 | |
| Alaska | (2) | | | | |
| Arizona | 736,000 | 558 | 1,308 | 125 | |
| Arkansas | 823,500 | 394 | 1,278 | 125 | |
| California | 5,101,000 | 5,000 | 1,020 | 130 | |
| Colorado | 1,700,000 | 16,300 | 104 | 125 | |
| Connecticut | 3,200,000 | 16,200 | 196 | 150 | |
| Delaware | 725,784 | 800 | 912 | 135 | |
| Dist. of Col. | 852,899 | 3,000 | 285 | 150 | |
| Florida | 3,564,715 | 3,836 | 929 | 125 | |
| Georgia | 2,812,965 | 4,968 | 600 | 125 | |
| Hawaii | 0 | 0 | | | |
| Idaho | 1,500,000 | 1,500 | 1,000 | 125 | |
| Illinois | 15,218,358 | 12,000 | 1,268 | | |
| Indiana | 6,890,445 | 3,800 | 1,813 | 115 | |
| Iowa | 3,258,567 | 3,000 | 1,085 | 125 | |
| Kansas | 1,000,000 | 1,200 | 833 | 125 | |
| Kentucky | 3,585,764 | 2,000 | 1,793 | 125 | |
| Louisiana | 0 | 0 | | | |
| Maine | 3,526,796 | 2,779 | 1,269 | 125 | |
| Maryland | 3,500,000 | 5,632. | 621 | 161 | |
| Massachusetts | 3,500,000 | 80,000 | 70 | 169 | |
| Michigan | 5,500,000 | 3,700 | 1,486 | 125 | |
| Minnesota | 1,040,832 | 5,900 | 176 | 125 | |
| Mississippi | 1,125,000 | 1,045 | 1,077 | 125 | |
| Missouri | 4,000,000 | 4,000 | 1,000 | 151 | |
| Montana | 1,500,000 | | | 125 | |
| Nebraska | 1,600,000 | 3,000 | 533 | 147 | |
| Nevada | 300,000 | | | 150 | |
| New Hampshire | 2,228,181 | 1,500 | 1,485 | 125 | |
| New Jersey | 2,500,000 | 2,000 | 1,250 | 125 | |
| New Mexico | 0 | 0 | | | |
| New York | 28,400,000 | 160,000 | 178 | 150 | 19,600,000(4) |
| North Carolina | 2,250,000 | 1,700 | 1,324 | 150 | |
| North Dakota | 1,479,610 | 1,500 | 986 | 150 | |
| Ohio | 13,462,912 | 10,000 | 1,346 | 125 | |
| Oklahoma | 2,070,000 | 2,070 | 1,000 | 120 | |
| Oregon | 2,701,587 | 2,251 | 1,200 | 125 | |
| Pennsylvania | 10,000,000 | | | | |
| Rhode Island | 1,000,000 | 2,000 | 500 | 100 | |
| South Carolina | 1,789,557 | 1,377 | 1,300 | 95 | |
| South Dakota | (2) | | | | |
| Tennessee | 2,811,824 | 744(3) | | 125 | |
| Texas | 4,000,000 | 6,000 | 667 | 125 | 1,000,000(4) |
| Utah | 807,638 | 1,200 | 806 | 151 | |
| Vermont | 1,670,101 | 1,500 | 1,113 | 125 | |
| Virginia | 1,700,000 | | | 150 | |
| Washington | 5,223,481 | 3,000 | 1,741 | 125 | |
| West Virginia | 1,998,165 | | | 125 | |
| Wisconsin | 5,400,000 | 4,300 | 1,256 | 125 | |
| Wyoming | 200,000 | 171 | 1,170 | 148 | 165,000 |
| TOTAL | 170,479,831 | 354,825 | 439(5) | | |

(1) All income criteria reported by States were converted to a percentage of the poverty income guidelines for purposes of comparison. Some maximum levels exceed 150% of poverty because 60% of the State's median income is above that level. States were permitted to choose the higher level.

(2) These States have not made a final determination as to the amount of funds, if any, to be used for weatherization.

(3) Actual number as reported on 3/23/82

(4) New York and Texas indicated the funds were to be used by the building operators for weatherization. Wyoming did not indicate how the funds were to be spent.

(5) Excluding those States that did not report estimated households served.

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Question #3: We also hear that the reporting requirements for this program will be reduced. Which requirements are you planning to eliminate? Given the need for data to answer questions such as - how much funding is needed for the program?, and what are the areas of greatest need?, - what is the rationale for reducing the reporting requirements?

Answer: The details of the Administration's proposal have not yet been finalized. However, the intent of the proposal will be to provide States greater flexibility and to relieve them of unnecessary and burdensome administrative requirements and paperwork as well as reducing Federal administrative costs. Although some reporting requirements will be eliminated or simplified, we will still be able to collect essential information and data necessary for the efficient administration of the program at the Federal level. In addition, we expect that other, less complicated mechanisms will be available to collect necessary information--such as the recent telephone survey conducted by HHS.

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Submitted by Congressman Austin J. Murphy
QUESTIONS FOR SECRETARY SCHWEIKER

1. Currently, the media reports that there are increasing instances of all forms of child maltreatment. During the past week, the Washington Post reported the deaths of two five-year old children in the Washington metropolitan area. Conservative estimates published by the Department of Health and Human Services place the number of children who are abused and neglected at 1,000,000 per year in the United States. The President's FY'83 Budget Request contains a reduction of $12.9 million for child abuse funding from the level authorized in the Omnibus Budget Reconciliation Act of 1981. Can you justify such a drastic reduction in light of the increases in all forms of child maltreatment?

2. During your testimony, you indicated that the Administration intended to carry out discretionary activities related to child abuse neglect, and adoption opportunities ubder a proposal which would consolidate many social service discretionary programs. However, you did not disclose the extent of your intended expenditures in the area. How much money would you spend on descretionary programs related to child abuse, neglect and adoption opportunities?

3. On January 24, 1982, the Office of Human Development Services conducted a significant reduction in force. Several positions were eliminated form the National Center on Child Abuse and Neglect. In May, 1980, the General Accounting Office issued a report which indicated that one barrier to effective federal leadership in the fight against child maltreatment was the inadequate staffing of the National Center on Child Abuse and Neglect. Today, does the the National Center on Child Abuse and Neglect have adequate staff capacity to conduct activities which address the increased reporting and treatment of child maltreatment nationally?

4. On page 12 of your prepared statement, you indicate that the States have made significant improvemants in their child protective services programs. The Administration's FY'83 budget reduces child abuse state grants significantly. Do you have evidence submitted by the states that your reductions won't be interpreted by the states as being an indication that the Federal government believes it is no longer necessary to maintain current levels of service delivery?

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QUESTION: Currently, the media reports that there are increasing instances of all forms of child maltreatment. During the past week, the Washington Post reported the deaths of two five-year old children in the Washington metropolitan area. Conservative estimates published by the Department of Health and Human Services place the number of children who are abused and neglected at 1,000,000 per year in the United States. The President's FY '83 Budget Request contains a reduction of $12.9 million for child abuse funding from the level authorized in the Omnibus Budget Reconciliation Act of 1981. Can you justify such a drastic reduction in the light of the increases in all forms of child maltreatment?

ANSWER :

- We are requesting reduced funding for the Child Abuse State Grants Program in FY 1983, in keeping with the President's policy of reducing Federal spending. We do not believe that reductions in this particular item, which addresses the initiation of programmatic and systems improvements, rather than direct support of child protective services, will have negative impact upon the capacities of States to provide those services. States have made significant improvements in their child protective service systems since the beginning of the program. Through informational and technical support, we are assisting the States to redirect their child protective programs to depend more upon private and voluntary support, especially for prevention services, in efforts to hold down their own costs and, at the same time, improve their services.

  The FY 1983 request is $2.3 million below the amount authorized for State Grants, not $12.9 million. The balance of the authorized funds are requested as part of the $30.8 million Social Services Discretionary Activities consolidation.

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QUESTION: During your testimony, you indicated that the Administration intended to carry out discretionary activities related to child abuse and neglect, and adoption opportunities under a proposal which would consolidate many social service discretionary programs. However, you did not disclose the extent of your intended expenditures in the area. How much money would you spend on discretionary programs related to child abuse, neglect and adoption opportunities?

ANSWER :

o The purpose of the consolidation of a discretionary activities program is to allow us the needed flexibility to target discretionary funds to the most crucial issues, to realize cost-savings by addressing problems which relate to a number of program areas within human services in nonduplicative ways and to insure that important projects which are nationwide or interstate in scope receive necessary support.

Although I cannot predict the exact dollar amount that will be made available to child abuse and neglect and adoption opportunities, I can assure you that as long as these areas remain as a national problem a significant proportion of our discretionary resources will be directed at these activities. In addition I can assure you that we plan to continue funding for the national adoption information exchange system and continued support for a national information clearinghouse on child abuse and neglect under the National Center for Child Abuse and Neglect. In addition, other projects with a specific child abuse focus will be considered for funding as well as cross-cutting projects.

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QUESTION: On January 24, 1982, the Office of Human Development Services conducted a significant reduction in force. Several positions were eliminated from the National Center on Child Abuse and Neglect. In May, 1980, the General Accounting Office issued a report which indicated that one barrier to effective federal leadership in the fight against child maltreatment was the inadequate staffing of the National Center on Child Abuse and Neglect. Today, does the National Center on Child Abuse and Neglect have adequate staff capacity to conduct activities which address the increased reporting and treatment of child maltreatment nationally?

ANSWER :

- We believe that the National Center is adequately staffed for the extent and scope of the program for which it is responsible.

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QUESTION: On page 12 of your prepared statement, you indicate that the States have made significant improvements in their child protective services programs. The Administration's FY '83 budget reduces child abuse state grants significantly. Do you have evidence submitted by the states that your reductions won't be interpreted by the states as being an indication that the Federal government believes it is no longer necessary to maintain current levels of service delivery?

ANSWER :

- We don't believe that States base their level of concern on a crucial issue such as child abuse and neglect solely on the level of Federal support. In addition, the Federal program focuses on developmental work with the States rather than services delivery, and a great deal of progress has been made.

  We do have evidence, from a number of States, that in a time when difficult decisions are being made among pressing human service needs, child protective services are being put at the top of the priority list and are in fact being maintained, even in some instances strengthened, as a necessary response to the increase in reported incidents of child abuse and neglect.

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HEAD START

Subject 1: Cuts in Services

Background

When you appeared before this Committee last year, you spoke of increasing Head Start's appropriation to $950 million for FY 1982 in order (and I quote) "To be used to maintain or improve the quality of Head Start services." Obviously, the Administration felt $950 million was necessary to accomplish that.

However, in his September request, President Reagan cut Head Start to $832 million. Only by Congressional action was the current level raised to $912 million -- still nearly $40 million short of the originally requested figure stated as necessary to maintain quality and enrollment. For FY 1983 you are requesting the same $912 million, while CBO estimates that $984 million would be necessary just to maintain the current level of services.

Question: Isn't this Administration knowingly calling for cuts in Head Start quality and service, despite statements by the President to the contrary?

Follow-Up: Secretary Schweiker may describe cost saving plans as per policy paper, "Head Start: Directions for the Next Three Years." If so:

1) Closing 37 Parent Child Centers;

2) Reducing all Head Start programs to no more than 8 months-per-year; 6-hours-per-day operation;

3) Reducing technical assistance;

4) Eliminating many regulations, which, by the way, the Head Start project directors wish to keep; and,

5) Ending the current on-site compliance monitoring program.

Would it not be more logical for the Administration to simply request the adequate amount provided by Congress in the Reconciliation Act rather than embarking upon what the policy paper itself describes as "novel approaches."

Answer: The FY 1982 budget of $911.7 million dollars which has been agreed to for Head Start will allow current levels of services and enrollment to be maintained. It will also enable program quality to be upgraded in several key areas in selected programs through eliminating serious overcrowding in classes, increasing low staff pay, and improving facilities. While the original, higher budget request would have allowed us to further enhance program quality in these areas, the $93 million increase that is available in

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FY 1982 is sufficient to maintain the high standards of quality which have contributed to Head Start's success.

The Reagan Administration continues to demonstrate its strong and continuing commitment to Head Start by requesting, in a time of severe Federal budget restraint, that funding for Head Start be maintained in FY 1983 at the full FY 1982 level. We expect that local Head Start projects will be able to fully continue current levels of quality and enrollment in FY 1983. We will assist local projects in assessing costs and identifying areas where they can achieve various economies and efficiencies in order to offset higher operating costs due to inflation. We believe there are economies, particularly in projects with relatively high costs, that local managers can make. In addition, Head Start has from its inception enjoyed an exceptional degree of support from local organizations and individuals. We believe this support will continue and can be strengthened.

In the follow-up section of your question you mention that various cost saving plans were described in a recent paper, "Head Start: Directions for the Next Three Years." Based on this paper, the Secretary recently made decisions on a number of steps to improve the operation or management of Head Start. These decisions included:

- o completing the phase-out of summer programs by providing support to these grantees to permit them to convert into full year projects.
- o continuing current policy for funding parent child centers and reimbursing grantees for full years and 8 hour days.
- o implementing an intensive case-by-case review of high cost grantees in order to serve more children with available funds.

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HEAD START

Subject 2: Future Block Grant?

Background

Last March, you were before us defending a request for Head Start of $950 million. Last September, the President cut that request to $837 million. Last December, OMB Director Stockman suggested Block Granting Head Start and phasing it out.

Question: Can you assure this Committee that the Administration has no plans to Block Grant or end Head Start in the coming years?

Answer: Head Start continues to receive strong support from President Reagan. In 1981, Congress passed legislation proposed by the President to continue Head Start as a comprehensive child development program. The Reagan Administration and Congress also agreed to increase Head Start funding for fiscal year 1982 to $912 million, an increase of $93 million over fiscal year 1981 funding. Also, despite severe budget constraints, the Reagan Administration has proposed that in fiscal year 1983, no cut be made in this funding level.

In addition, the Administration will continue support for Head Start as a separate program administered by the Federal government. Neither the Administration's block grant proposals, nor the President's New Federalism initiative include any effort to turn Head Start over to the States. It will remain as a special Federal program.

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HEAD START

Subject 3: Impact of Medicaid Cuts on Head Start

Background

In FY 1980, about 140,000 Head Start children were enrolled in Medicaid Early Periodic Screening, Diagnosis, and Treatment (EPSDT). As a result of reconciliation, States now have the option of limiting EPSDT services only to those who are categorically eligible instead of all needy children. The eligibility level for Head Start is, in many States, above that for Medicaid.

Question: How will this affect Head Start children?

Answer: As of June 1981, the participation of Head Start children in Medicaid EPSDT had increased to 46% (from 43% in FY 1980), resulting in a coverage of approximately 173,000 children. In 1981, 34 States were extending EPSDT services to the medically needy in addition to children categorically eligible for EPSDT. The Department has information that only one of these States to date has restricted the population of children eligible for EPSDT. We estimate that approximately 320 Head Start children are affected by this action.

Question: Since the law requires health services for Head Start children, how much will it cost to replace these services?

Answer: The average annual cost per child of comprehensive Head Start services is estimated at $175 of which roughly $100 is paid for through EPSDT for eligible children. Approximately $32,000 of Head Start funds will be required to replace the EPSDT services, based on current data.

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HEAD START

Subject 4: Impact of CETA Cuts on Head Start

Background

In FY 1981, about one-half of Head Start projects used CETA workers as bus drivers, teacher aides, clerical workers and so forth. Their salaries were paid from Department of Labor funds.

Question: If these funds are lost, as the Administration proposes, won't you have to use HHS funds to pay for those staff or else lose those staff and lower program quality?

Follow-up: HHS has estimated (according to the Congressional Research Service) that $27 million in Head Start salaries are CETA related.

Answer: Last year we estimated that, if support for CETA had continued, Head Start projects in FY 1982 would have employed CETA paid workers whose wages totalled $26.9 million. We do not believe this level was reached because the public service employment portion of the CETA program through which Head Start benefited was phased out during FY 1981. We believe CETA's contribution to Head Start peaked in FY 1980 at approximately $22 million. Head Start projects have accomodated themselves to losses of essential CETA workers by rebudgeting the funds available to them or by obtaining additional resources. Since the loss to Head Start has already occurred, there should be no additional impact in FY 1983. Although CETA paid workers provided useful services, some did not provide essential services and Head Start projects did not necessarily have to replace all lost CETA workers. While we do not wish to understate the benefits provided by CETA, we do not believe that the loss of $22 million in CETA support resulted in a loss in services to Head Start children equivalent to the full $22 million.

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HEAD START

Subject 5: Impact of Proposed Cuts to the Community Services Block Grant on Head Start

Background

About 60% of Head Start programs are sponsored by Community Action Agencies funded under the Community Services Block Grant. Last year Congress cut Community Action programs by 25%. This year you are asking us to cut the remainder by 70% -- down to $100 million. In addition, in FY 1983, States will no longer have to fund Community Action Agencies.

Question: 1) What kind of impact will this have on Head Start?

Answer: Last year we estimated that $15 to $20 million in Community Service Administration funding to local Community Action Agencies (CAAs) was used in FY 1981 for administrative support to Head Start projects. Although funding for CAA's has been cut in FY 1982 and further cuts are proposed for FY 1983, states have the flexibility through the Community Services Block Grant to continue supporting CAA's, including those that operate Head Start projects. However, we do expect that Head Start would incur some additional costs, which we cannot reliably estimate, as a result of reduced CAA funding.

2) How will you provide for an orderly change of sponsors?

Some CAAs which are Head Start sponsors may lose Community Services funding and decide to cease operations, in which case a new Head Start sponsor would need to be found. Established procedures exist which would be followed in selecting a replacement sponsor for the Head Start project through a competitive process. A number of new sponsors are selected each year using these procedures.

In effecting a change in sponsorship for a local Head Start project, we would seek to minimize any disruption in program operations and, to the extent possible, maintain the continuity of the program. In addition, there are statutory requirements which ensure that preference be given to selecting new sponsors which provide continuity.

It is important to note that CAAs can remain Head Start sponsors even if they lose other sources of funding, provided they continue to meet certain fiscal and programmatic requirements. The loss of Community Services funding would not necessarily result in a change of Head Start sponsors. We expect that many CAAs which lose all or a portion of the funds they receive from other sources will continue operating successful Head Start projects.

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Older Americans Act

Subject 1: Effect of Proposed Elimination of Funding for Title V, Older Americans Act, on Services for the Elderly

The Administration's budget request for 1983 seeks to eliminate funds for Title V of the Older Americans Act -- Community Service Employment for Older Americans. While this program is not directly administered by HHS, being administered instead by the Department of Labor, its elimination will impact heavily on a number of programs that are administered by you, particularly elderly nutrition programs. More than 7,000 older workers, funded by Title V, work at nutrition sites (CRS figures) and an additional 9,800 work at senior centers providing a wide variety of supportive services.

Question 1: What will be done to make up for losing these 16,800 workers at senior nutrition sites and centers?

Answer: We are not certain that elimination of Title V of the Older Americans Act will necessarily result in the loss of all or most of these workers.

We have been informed by the Department of Labor that the proposed Jobs Training Act of 1982 has been submitted recently to the Congress. This program, at a proposed funding level of $1.8 billion, will provide funds to the States for training for private sector employment, with a focus on disadvantaged youth and AFDC recipients. However, States would be allowed to set aside up to 10 percent of this block grant for other workers, including older workers. In addition, a $200 million program will be administered by the Department of Labor for special groups, including older workers, Indians and migrants.

In addition, I believe other ways can be found to respond to this need. One possibility is to place more reliance on use of volunteers for the work which is now done by Title V workers. We must bear in mind that Title V participants receive benefits other than the small cash wages, welcome as this extra income may be. They gain valuable work experience and improve their employability for jobs in the private sector. The aging network would probably invite Title V workers who want to continue without stipends to do so as volunteers. It might also be possible to replace those who do not choose to do so with volunteers who are seeking satisfying and rewarding service opportunities.

To the extent that these measures are insufficient, it might be possible to generate funds from local public and private sources to pay for the employment of older workers at nutrition sites and centers.

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Older Americans Act

Subject 1

Question 2: What effort will be made to coordinate the budget proposals on these interrelated programs?

Answer: As I mentioned at the hearing on March 3, I believe that there is a need for further coordination in the future on budget proposals affecting programs for the elderly. I will be discussing with the Office of Management and Budget and the White House the possibility of creating a Cabinet level working group to handle this type of coordination in the future.

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Older Americans Act

Subject 1

Follow-up: The Secretary may mention the proposed block grant.

Question 1: Is the legislation written yet?

Answer: Yes. I am informed by OMB that the bill was forwarded to the Congress the week of March 8, 1982.

Question 2: Have you played a role in its development?

Answer: Staff members in the Department who are concerned with income transfer and related employment programs, such as WIN and the Community Work Experience Program (CWEP), took part in discussions with Department of Labor staff.

Question 3: If so, how does the legislation propose to safeguard jobs providing nutrition services and other support for the elderly?

Answer: I am informed that the proposed Jobs Training Block Grant Act of 1982 contains two provisions for older workers. First, although the proposal focuses on training for disadvantaged youth and AFDC recipients, States may set aside up to 10 percent of their allocation under the block grant for programs for other workers, such as older workers. Second, in addition to State allocations, the Department of Labor will administer a $200 million program for special groups, including older workers, Indians and migrants.

Although these provisions do not specifically require that jobs support nutrition and senior centers, it is my understanding that these provisions were developed at least partially to respond to the elimination of Title V.

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Older Americans Act

Subject 2: When you spoke to this Committee last March 31, you stated that the $692 million then being requested for Older American programs would provide 611,000 daily meals and serve 3.2 million senior citizens in other ways. Yet, the President's budget request for 1983 requests a cut of about $40 million but proposes to provide about the same number of meals and serve the same 3.2 million senior citizens in other ways. The Congressional Budget Office estimates it will take about $785 million in FY 1983 to maintain the same level of services.

Question: How will you accomplish this on $133 million less?

Answer: The decrease of $77,505,000 from the amounts currently available in 1982 is consistent with the President's budget policy to reduce federal spending. A range of program strategies has been developed to offset the effects of inflation and of the proposed reduction in funds. Savings generated by the following strategies will enable States and communities to maintain service levels, to the extent possible:

- o AoA is pursuing two major objectives aimed at strengthening the financial management and effective and efficient use of Title III programs. The first objective is to increase the level of contributions for services. In FY 1981, program income expenditures reported by the states totaled an amount equal to 13.3 percent of federal funds allotted to the states for supportive and nutrition services, or $79 million. The aim is to increase the percentage to 20.5% in FY 1983 or $120 million.

- o The second objective will be to take steps to improve the program and financial management of State and area agencies, including actions in

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response to GAO and Inspector General recommendations. As part of its regular assessment of State Agencies, AoA will focus on those financial and management concerns which are impeding the program from operating at maximum efficiency. AoA will also provide special technical assistance aimed at improving State agency financial management, including the development of model performance-based payment techniques for use by Area Agencies in managing Title III funds awarded to local service providers.

- The Administration on Aging also plans to set aside only $1.5 million for evaluation purposes from the Congregate Nutrition Services account. Currently, the Administration on Aging sets aside 1 percent of each of the three services accounts (Supportive Services and Senior Centers, Congregate Nutrition Services and Home-delivered Nutrition Services) for such programs. This limitation of the amount of funds set-aside for evaluation will permit an increase in the amount of funds that would be allotted to the States for services.

The estimates from the Congressional Budget Office do not take into account the effect of these program strategies.

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Older Americans Act

Subject 2

Follow-up: Likely to say administrative cost savings, less regulations, etc.

Question 1: Did you consider the loss of the 16,800 older workers provided by Title V?

Answer: As noted in our response to Question 1, Subject 1, we are not convinced that elimination of Title V will necessarily mean that services of Title V workers who now work in Older Americans Act programs will be lost. Many of them may come under the provisions of the proposed Jobs Training Act of 1982, transmitted to the Congress this week, or some of them could continue as volunteers for the valuable work experience and other more intangible rewards they gain from their activity. We can also investigate with the aging network other possibilities. We do not intend to simply assume the loss of services from these workers with the elimination of the Title V program.

Subject 2

Follow-up

Question 2: What about the loss of CETA employees?

Answer: The situation here is similar to that concerning the Title V workers. We will be working with the aging network to generate additional program income, maximize resources through special management initiatives, increase the use of volunteers, and otherwise use the resources available to the aging programs to the best possible effect.

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Older Americans Act

Subject 2:

Follow-up:

Question 3: Exactly how did you arrive at the number of people to be served?

Answer:

o The AoA budget does not include information on the number of persons to be served, per se. The estimates that appear in the justification are based on person units of service. The estimates regarding person units of service are as follows:

| | Person Units of Service FY 1983 |
|---|---|
| Transportation | 1,546,000 |
| Information and Referral | 3,482,000 |
| Outreach | 1,192,000 |
| In-home Services | 493,000 |
| Legal Services | 260,000 |
| | **Number of Meals Per Day** |
| Total | 607,845 |
| Congregate | 497,387 |
| Home-delivered | 110,458 |

A person unit of service may consist of an individual instance when a person is served, a number of instances of services to the same person, an instance of service to a group of individuals, or a group of services provided to the same person.

The person units of services and meals supported were based on program performance and fiscal data provided by the States, projected into FY83, and including anticipated increases in levels of contributions.

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Older Americans Act

Subject 2:

Follow-up:

Question 4: Aren't you really going to have to cut nutrition programs?

Answer: We cannot guarantee that the measures we have outlined for offsetting reduced availability of resources to aging programs will produce a meal-for-meal replacement.

We have looked at this question, and our current estimates are that, despite the strategies mentioned above, there will be a reduction in the number of meals per day as follows:

| | FY 82 | FY 83 | Change |
|---|---|---|---|
| Total | 677,163 | 607,846 | -69,318 |
| Congregate meals | 548,114 | 497,387 | -50,727 |
| Home-delivered meals | 129,049 | 110,459 | -18,591 |

The President has established as a principal goal of this Administration the revitalization of the American economy as a whole. Inflation, high interest rates and other problems severely tax the ability of older persons to continue to lead independent and meaningful lives. This means that we have had some hard choices to make.

The proposed budget levels in nutrition services are consistent with this overall economic and social objective. We sincerely believe that the best social service we can deliver to the elderly is a healthy economy.

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Older Americans Act

Subject 3: Impact of RIF (Reduction in Force) Procedures on HHS Programs

This past Sunday's Washington Post carried an article describing the effects that RIF procedures being carried out by your agency are having on various programs. The Post article describes transfers of child day care experts to Older Americans programs, Older Americans experts to Native American programs and so on. The question is raised in the article of whether this was being done intentionally in order to create such a state of disarray as to make ending the programs or transferring them to States the next logical step. In other words, if you can't kill certain programs through the legislative process, kill them through mis-administration.

Staff of this very Committee, in trying to get a copy of a Federal Council on Aging study, were told that there was no one left on board from the Council staff. Staff finally tracked down a former Council staff person, now serving in a different agency. This bears out the Post story and makes me wonder where there is indeed an intentional effort to create a reduction in capability at HHS.

Question 1: Are you aware of the situation as described in the Post article?

Question 2: In spite of OPM's (Office of Personnel Management - formerly Civil Service) requirements for RIF procedures which are designed to protect workers' job security, there must be ways to avoid trying to ram a lot of square pegs into round holes. What steps are you taking to avoid this?

Question 3: What are you doing to improve morale, and maintain agency capability to manage programs effectively?

Answers:

- I am aware of the Post article, but I don't think it provided a balanced picture of the impact of the RIF procedures on HDS programs. Of course, such readjustments are painful, no matter how beneficial they may be after the initial pain and inconvenience wears off. The article

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reported the reactions of some of our employees soon after the RIF, when feelings were running high, and there may be a different reaction after the period of adjustment is over.

There is an aspect to the RIF procedures that the Post article did not sufficiently highlight. That is the extent to which, in adjusting the size of our staff operations, we were bound by civil service rules that required us to provide maximum emphasis on seniority and veterans status, and minimum emphasis on merit and expertise. In a number of cases, that did force HDS management to make some of the shifts in staffing the article described.

However, in an overall sense, we believe that we have maintained staffing at a level that is adequate to carry out Federal responsibilities for HDS programs. In addition, we have no plans to reduce staffing levels in FY 1983. As to allegations that the Administration is trying to kill certain programs by assuring that they will be mismanaged, I can assure you that nothing could be further from my intentions.

In regard specifically to the Administration on Aging, some of its able employees were transferred out, but able employees from other agencies were also transferred in. AoA conducted orientation seminars for the new employees, and has made an effort in other ways to help them make a smooth transition into the work of the agency. And I am told that the new employees are making a thoroughly professional effort to learn as rapidly as possible what they must know to function effectively in their new assignments. We may find that they have brought to AoA from their involvement in other human service programs experience and insights that will prove beneficial to AoA programs.

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COMMUNITY SERVICES BLOCK GRANT

SUBJECT 1: PROPOSED 70 PERCENT CUT IN POVERTY FUNDS

ANSWER:

- It is true that the Administration has proposed a reduction for the Community Services Block Grant program. This was done to protect higher priority direct services -- such as Aging and Head Start -- within overall fiscal constraints.

- We reviewed FY 1980 data and found that these programs -- aging services and children's services including Head Start -- account for some 47 percent of all the funds received by Community Action Agencies nationwide.

- There no doubt will be some reductions and disruptions of service levels as program delivery organizations make adjustments; however, we believe that by streamlining operations, implementing efficient management techniques, leveraging other non-Federal resources, and culling out ineffective delivery systems, the states will be able to support a better overall service system to meet the needs of the poor.

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COMMUNITY SERVICES BLOCK GRANT

SUBJECT 2: IMPACT OF $100 MILLION APPROPRIATION ON SMALL RURAL STATES

ANSWER:

- The Community Servics Block Grant Act contains a provision to protect small rural States by guaranteeing each State no less than one-quarter of one percent of total program funding. Although this provision does not apply directly to Montana, it does provide a floor amount of funding for each State to administer and coordinate Federal antipoverty programs.

- Again, in reviewing funding cuts for the Community Services Block Grant one must bear in mind that Community Action Agencies receive the majority of their funding from a variety of Federal programs designed to serve the poor. In no case would a State's allocation under the Community Services Block Grant represent the State's entire antipoverty effort.

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COMMUNITY SERVICES BLOCK GRANT

SUBJECT 3: DISCRETIONARY

Answer:

- The primary purpose of the Community Services Block Grant legislation is to provide the States, rather than the Federal government, with the authority and flexibility to decide what groups of programs to fund under the block grant. We have requested that funds for the Discretionary Program be included in the block grant for Fiscal Year 1983 so that funding decisions can be made on the State level.

- We are now drafting a program announcement for the Discretionary Program for Fiscal Year 1982. The draft announcement makes it clear that no funds are expected for this program in Fiscal Year 1983.

- One of the criteria we will use to evaluate proposals, therefore, is the ability of applicants to attract other sources of funds -- especially from the private sector -- to continue projects after the end of Fiscal Year 1982.

- We fully expect the strongest and most viable of these programs to survive and to be funded by states interested in the services that they provide.

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LOW INCOME ENERGY ASSISTANCE

1. Question: How much of the $1.8 billion in FY 1982 appropriation is actually obligated or committed by States at this time?

Answer: We do not at this time know how much of their FY 1982 allocations States have actually obligated or committed. Under the block grant regulations, States are not required to make periodic expenditure reports. We recently received permission from OMB to conduct a special one-time survey to collect this information. Although we have not yet received written confirmation, the attached chart shows the preliminary estimates by States of obligations reported during the telephone survey as of March 31, 1982. Based on these estimates, approximately 66% of total LIHEAP funds had been obligated by the end of March.

We do know that, of the $1.856 billion granted to States thus far this year, they have drawn $982.4 million, or 53 percent from the Treasury. "Drawdowns" measure reimbursement by the Federal government for program expenditures. Drawdown of grant funds will normally lag somewhat behind the obligation or commitment of funds.

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OBLIGATIONS MAR 81

| | ALLOCATION RECEIVED | ESTIMATED OBLIGATIONS 3/31/82 | ESTIMATED PERCENT OF FUNDS OBLIGATED |
|---|---|---|---|
| Alabama | 16,895,323 | 14,805,818 | 88 |
| Alaska | 7,687,119 | 3,200,000 | 42 |
| Arizona | 6,992,726 | 1,345,000 | 19 |
| Arkansas | 12,268,455 | 6,550,542 | 53 |
| California | 85,882,915 | 23,000,000 | 27 |
| Colorado | 30,074,484 | 30,074,484 | 100 |
| Connecticut | 39,233,186 | 21,700,000 | 55 |
| Delaware | 5,207,450 | 3,995,000 | 77 |
| District of Columbia | 6,092,978 | 2,000,000 | 33 |
| Florida | 25,436,045 | 3,363,636 | 13 |
| Georgia | 20,114,674 | 19,200,000 | 95 |
| Hawaii | 2,025,674 | 2,025,000 | 99.9 |
| Idaho | 11,639,433 | 4,000,000 | 34 |
| Illinois | 108,590,685 | | |
| Indiana | 49,166,812 | 39,200,000 | 80 |
| Iowa | 34,845,178 | 26,134,000 | 75 |
| Kansas | 15,973,669 | 9,000,000(1) | 56 |
| Kentucky | 25,586,242 | 11,000,000 | 43 |
| Louisiana | 16,403,029 | 5,364,623(1) | 33 |
| Maine | 25,165,478 | 21,483,018 | 85 |
| Maryland | 30,040,364 | 21,221,829 | 71 |
| Massachusetts | 78,460,451 | 78,460,451 | 100 |
| Michigan | 103,003,213 | 47,900,000 | 47 |
| Minnesota | 74,275,799 | 58,298,820 | 78 |
| Mississippi | 13,764,396 | 4,116,361(2) | 30 |
| Missouri | 43,375,360 | 25,707,949 | 59 |
| Montana | 11,107,295 | 8,624,225 | 78 |
| Nebraska | 17,210,909 | 9,300,000 | 54 |
| Nevada | 3,635,182 | 2,240,000 | 62 |
| New Hampshire | 14,864,643 | 11,000,000 | 74 |
| New Jersey | 72,721,611 | 47,000,000 | 65 |
| New Mexico | 9,164,279 | 7,095,014 | 78 |
| New York | 237,758,713 | 178,800,000 | 75 |
| North Carolina | 35,452,156 | 29,100,000 | 82 |
| North Dakota | 13,196,943 | 8,512,482 | 65 |
| Ohio | 96,064,618 | 65,000,000 | 68 |
| Oklahoma | 14,537,356 | 10,057,521 | 69 |
| Oregon | 23,308,973 | 13,238,754 | 57 |
| Pennsylvania | 127,779,600 | 89,700,000 | 70 |
| Rhode Island | 12,918,151 | 12,918,151 | 100 |
| South Carolina | 12,769,398 | 5,044,900(2) | 40 |
| South Dakota | 10,440,227 | 6,400,000 | 61 |
| Tennessee | 25,918,315 | 12,000,000 | 46 |
| Texas | 42,324,626 | 16,462,000 | 39 |
| Utah | 13,537,172 | 8,200,000 | 61 |
| Vermont | 11,134,008 | 10,500,000 | 94 |
| Virginia | 36,592,811 | 32,500,000 | 89 |
| Washington | 37,352,107 | 22,842,000 | 61 |
| West Virginia | 16,932,359 | 13,021,789 | 77 |
| Wisconsin | 66,858,884 | 46,000,000 | 69 |
| Wyoming | 6,595,550 | 3,529,900 | 53 |
| TOTAL | 1,747,782,471(3) | 1,151,302,227(3) | 65(3) |

(1) excludes administration

(2) estimate as of 2/28/82

(3) excluding Illinois

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LOW INCOME ENERGY ASSISTANCE

2. Question: What is the level of participation of the elderly so far in this year's program?

Answer: In order not to impose burdensome reporting requirements on States, the Department has not required the submission of data on program participation by the elderly in FY 1982. However, in last year's program, the elderly comprised about 40% of households that received assistance on the basis of submitting an application. This participation rate compares favorably with the representation of the elderly in the population eligible for assistance = 35%.

We expect to obtain information later this year on participation in this year's program by the elderly through several means, including questions which the Department added to the March 1982 Current Population Survey and data being submitted by States to the National Governors' Association and the American Public Welfare Association.

3. Question: What percentage of home energy cost do you believe the program is covering?

Answer: In FY 1981, we estimated that LIEAP heating assistance payments (including emergency payments) offset about 38 percent of the average low income household's heating bill. In the Northeast census region, the offset was 30 percent; in the North Central region, 40 percent; in the South region, 29 percent; and, in the West region, 47 percent.

These estimates are preliminary, based on an initial evaluation of State program and fiscal reports and analysis by the Department of Energy of heating costs in relation to total energy expenditures by low-income households. The estimates will be revised as more current data is available and are subject to revision.

A number of factors had an effect upon the average benefits offered by States in FY 1981. First of all, the statute provided for formulas which included various factors representing the low-income population, the climate and the cost of energy. In addition, States had discretion in setting their benefit levels. They could choose to provide a relatively high level of assistance to a relatively small population of their eligible population or they could serve a larger population with lower benefit levels. States west of the Mississippi River experienced a relatively warm winter during 1980-1981. As a result, their participation rates tended to be somewhat lower than other States', and their level of assistance relatively higher.

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4. Question: How does the growth of energy assistance funding compare to the national price increases of natural gas in the last three years? Upon what basis was the $1.3 billion budget request made?

Answer: The table below compares the increases in energy assistance funding and natural gas prices.

| Year | Price | % Change | Fiscal Year | Energy Assistance Funding | Percent Change |
|---|---|---|---|---|---|
| 1979 | $3.23 | - | 1979 | $ 200 million | - |
| 1980 | $3.92 | 21% | 1980 | $1,600 million | 700% |
| 1981 | $4.47 | 14% | 1981 | $1,850 million | 16% |
| 1982(est.) | $5.57 | 24% | 1982 | $1,875 million | 1% |
| 1982 compared to 1979 (% change) | | 72% | | | 838% |

Since 1979, natural gas prices have increased 72 percent. Energy assistance funding increased over 800 percent due mainly to the initiation of the low income energy assistance program in HHS in FY 1980 in response to decontrol of domestic crude oil prices.

The $1.3 billion funding level proposed for FY 1983 should be viewed from the perspective of the Administration's proposed FY 1982 funding proposal. Last year, when the program's Federal requirements were reduced, permitting States to better tailor efficient energy assistance programs to their own needs and priorities, the proposed funding level was $1.4 billion. This year's proposal is about 7 percent below what was proposed last year. We believe that States, by using the flexibility given to them last year, combined with the additional program changes which the Administration will propose this year, will have sufficient resources to assure that the neediest households have access to adequate supplies of home energy.

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# OVERSIGHT HEARINGS ON 1983 BUDGET REQUEST

MONDAY, MARCH 8, 1982

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EDUCATION AND LABOR,
*Washington, D.C.*

The committee met, pursuant to call, at 2 p.m., in room 2175, Rayburn House Office Building, Hon. Carl D. Perkins (chairman) presiding.

Members present: Representatives Perkins, Corrada, Kildee, Ratchford, Fenwick, and Craig.

Staff present: John F. Jennings, general counsel; Beatrice Clay, legislative specialist; Mary Jane Fiske, minority senior legislative associate; Richard DiEugenio, minority senior legislative associate; and Electra Beahler, minority education counsel.

Chairman PERKINS. The committee will be in order.

This afternoon we are delighted to welcome the Secretary of Agriculture up here. This is the third in a series of oversight hearings on the President's budget proposal.

Secretary Block, the purpose of this hearing is to gain the fullest possible understanding of your proposals and their justification before sending our budget recommendations to the Budget Committee. That we hope to do by the latter part of this week. I am delighted to welcome you here.

This is your first appearance, I believe, before this committee. We focus today on the child nutrition programs. Overall, the President is recommending a $700 million cut in the child nutrition budget. This $700 million is on top of the $1.5 billion, or 35 percent, that was taken out of the programs last year.

In my view these programs cannot take any more cuts. Since the beginning of the 1981-82 school year, 1,500 schools and 3 million children have dropped out of the lunch program. Over 800 schools and 400,000 children have dropped out of the breakfast program. As many as 800,000 fewer poorer children will receive lunches this summer, while last summer approximately 250,000 pregnant women, infants, and children were dropped from the WIC program.

If the President's fiscal year 1983 budget proposals are enacted over a 2-year period, this administration will have eliminated four child nutrition programs, cut the school lunch program 37 percent in fiscal year 1982 and capped the program in fiscal year 1983, merged school breakfast and the child care program into one block grant and cut program funds 40 percent and 50 percent, respective-

(1)

ly, and folded the WIC program into the maternal and child health block grant while cutting funds 37 percent.

Mr. Secretary, we are delighted to welcome you here and receive your views today on these important proposals. Without objection, your prepared statement will be inserted in the record, and you may proceed in any way you prefer.

**STATEMENT OF HON. JOHN R. BLOCK, SECRETARY, DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY MARY JARRATT, ASSISTANT SECRETARY; GENE DICKEY, ACTING FOOD AND NUTRITION SERVICE ADMINISTRATOR; AND SAMUEL CORNELIUS, FOOD AND NUTRITION SERVICE ADMINISTRATOR**

Secretary BLOCK. Thank you very much, Mr. Chairman. I am also delighted to be here. It is my first time before this committee, and I appreciate the opportunity to review with you our program here for child nutrition.

I have accompanying me today Assistant Secretary Mary Jarratt, seated on my right. And on my left-hand side I have, on the far left, Gene Dickey. He has been serving as our Acting Administrator of the Food and Nutrition Service. But on my immediate left I have Sam Cornelius; and Sam, as of today, has assumed the position of Administrator of the Food and Nutrition Service under Ms. Jarratt's direction.

I am pleased to have them with us today. I may call upon them in answering some of the questions that are somewhat technical in nature.

The budget that I will discuss with you today underscores the program for economic recovery that President Reagan announced 1 year ago. The plan is directed toward creating a solid foundation for sustained economic growth and prosperity by limiting the size and scope of Government, strengthening the private sector and free market economy, and reducing inflation and interest rates.

This February, in his budget message to the Congress, the President reiterated his determination and firm adherence to the four fundamental parts of his economic recovery plan: One, a substantial reduction in the growth of Federal expenditures, two, a significant reduction in Federal taxes, three, prudent relief of Federal regulatory burdens, and four, a monetary policy on the part of the independent Federal Reserve System that is consistent with these policies.

During 1981, the administration worked with the Congress to take major steps toward implementing this program:

Congress passed the Economic Recovery Tax Act, the largest tax cut in history for businesses and individuals.

In the Omnibus Budget Reconciliation Act, Congress reformed entitlement and other programs, saving $130 billion over the 1982-84 period.

During the past months, we have worked to carry out the provisions of the Omnibus Budget Reconciliation Act of 1981. This legislation—among other initiatives—refined eligibility standards to more specifically target food assistance benefits to the needy while generally holding constant the assistance given to those who are needy.

## CHILD NUTRITION PROGRAMS

During the past decade, the Federal child nutrition programs have grown dramatically. They are often described as fragmented, overlapping, and administratively complex. Today, there are at least 37 different Federal reimbursement schemes within 10 major programs, serving more than 26 million children. The programs typify the concerns raised recently in a report by the Advisory Commission on Intergovernmental Relations [ACIR].

ACIR concludes that State and local governments have become increasingly dependent on the Federal Government. This dependence has curtailed vital administrative discretion at the State and local level because of an excess of specific Federal programmatic and procedural requirements.

The administration's fiscal year 1983 child nutrition proposals are the beginning of a new federalism designed to reestablish the balance of decisionmaking in our tripartite system of governance. First, and of central importance to your committee, the proposal would maintain the school lunch program, the largest child nutrition program at $2.3 billion, with no reduction in Federal support.

This committee has long fulfilled a leading stewardship role for the school lunch program, and we appreciate your counsel and your concern for providing stability for the school lunch program. Second, the proposals would consolidate a number of small categorical programs. Funding for a general nutrition assistance grant is set at nearly $500 million. Thus, total funding for the basic child nutrition programs remains unchanged from the 1982 funding level of $2.8 billion.

The supplemental food programs for women, infants, and children [WIC] is similarly delegated to the States through its combination with the maternal and child health services block grant. Funding for this grant will be $1 billion. The determination of how to appropriately target health and nutrition services for low-income pregnant mothers and their infants will be the responsibility of the various States and their health clinics and qualified health personnel.

## PROPOSED LEGISLATION

The administration's proposed legislation is based on several related considerations. These include reducing program overlap, focusing resources on those most in need, and promoting efficient and effective program operations. A total of $3.2 billion will be needed for the child nutrition programs in fiscal year 1983. These amounts reflect $363 million in cost reductions below the current services level as a result of the following proposals:

One, eliminate the Department of Defense overseas schools from participation in the programs. We believe that it is feasible and appropriate for the Department of Defense to assume full responsibility for child nutrition in its overseas schools.

Two, transfer of funding for all food assistance program operations in Guam, the Commonwealth of the Northern Marianas, American Samoa, and the Virgin Islands to a block grant that will give the territories broad flexibility to fashion food assistance programs that serve the special needs of their residents.

Three, end the summer feeding program. The short-term nature of the summer feeding program makes it inherently vulnerable to poor management and abuse. With the availability of other Federal nutrition assistance programs—such as food stamps, which was not a national program when the summer program began—the summer feeding program is now a low-priority effort. In recent years, the summer programs have been concentrated in a few large, urban States where repeated abuses have been cited by GAO and the USDA Inspector General.

Four, terminate the special milk program for the 1982–83 school year. Every President since John Kennedy has proposed major reduction or elimination of the special milk program. At present, nearly 94 percent of the 1.6 million students receiving special milk subsidies are nonneedy. These students receive a subsidy of 9 cents per half pint of milk in the 1981–82 school year regardless of their family income. The program's original goal, to promote fluid milk consumption in schools, has been superseded by the subsidies for milk consumed in other Federal meal programs in which over $700 million in milk will be served this year. The $24 million now anticipated to be spent on special milk in 1982 will have a negligible effect on milk consumption in the United States.

Five, lower State administrative expenses [SAE] to reflect the institution of the grant for general nutrition assistance and the elimination of the special milk program.

Six, establish a general nutrition assistance grant in place of the categorical funding for the school breakfast and child care food programs. We believe that funding individual meal subsidies for school breakfast and child care food programs is an inappropriate Federal role, and we believe that the Federal imposition of nutrition program design and administration is inappropriate. Under the grant concept proposed by the administration, States may allocate nutrition funds to schools and other institutions according to State and local priorities. They could design and implement child nutrition programs that best serve the needs of their populations; they could set their own priorities and allocate their resources to meet these priorities. More than 40 pages of program regulations and requirements would be eliminated.

Seven, eliminate nutrition education activities under the NET program at the Federal level, and leave this activity to State and local discretion. Federal funding has served as a catalyst, and the States should be in a position to assume this responsibility, if they so desire.

Eight, establish a single block grant for services to women, infants, and children. The special supplemental program for women, infants, and children [WIC], the commodity supplemental feeding program [CSP], and the maternal and child health program at HHS, each serves the same target population—low income pregnant, postpartum and breastfeeding women, infants and children. The programs also share the same goals to foster growth and development, prevent health problems and improve the status of the health of their participants. The fiscal year 1983 budget proposes to fold the funding for these programs into a $1 billion grant to States for services to women, infants, and children to be administered by the Department of Health and Human Services.

The new consolidated grant would allow the States the flexibility to determine the mixture of health care and supplemental food that would best serve the needs of their population. It would enable the States to plan and coordinate their own maternal and child health service programs, establish their own priorities, and exercise effective control over the resources provided so that local expenses would be reduced.

Should States desire, agricultural commodities will continue to be made available based on procedures established between Secretary Schweiker and myself.

The changes represented in this budget reflect several primary objectives which we believe are necessary to the future well-being of the Nation. First, the effectiveness of State and local governments will be enhanced by giving them greater control over services as well as control over the resources needed to pay for them.

Second, the reform of entitlement programs to correspond with basic indicators of need and cost will be advanced. Greater latitude given to the States will create opportunities for the reduction of inequities, the elimination of overlapping and excessive benefits, the retargeting of resources to those most in need, and the creation of incentives and requirements to promote more efficient program administration.

Third, the reduction of inappropriate discretionary spending will be achieved, contributing to a firmer and more judicious control over Federal expenditures.

We believe that these objectives are immensely important, and it is in this positive context that the 1983 proposals should be considered.

Thank you for your attention, Mr. Chairman.

Chairman PERKINS. Thank you very much, Mr. Secretary. I have a few questions here.

I know that you are claiming there are no cuts in the school lunch program this year. Why are you proposing appropriations language that will cap the program in fiscal year 1983? It would seem to me that this kind of language would create confusion at the local level since no one will know for sure how much they will receive once they prepare a menu.

Can you explain why you are proposing appropriations language that will cap the program in fiscal year 1983 if there are no cuts in the school lunch program this year?

Secretary BLOCK. Well, Mr. Chairman, participation has been relatively constant, and we believe it is enough money and we should have no shortfalls in money for the funding of the school lunch program.

Chairman PERKINS. If that is the case, you would not really need the language, would you?

Secretary BLOCK. That is probably true. But I think if you have it there, I think it provides quite an incentive to try to stay within the bounds of that. But we do think there is adequate funding for it.

Chairman PERKINS. Over the last several years there has been a $250 million shortfall in the school lunch funds that has been rolled over to the following fiscal year. Are you anticipating rolling

this shortfall over again this year or will you be seeking a supplemental this year, this summer?

Secretary BLOCK. We would be rolling it over.

Chairman PERKINS. Why aren't you asking for a supplemental appropriation since these are entitlements? And I have been told that some States have not received payments on time because there is not a full appropriation for payment. Are you asking for a supplemental appropriation since these are entitlements?

Secretary BLOCK. No, sir, we are not asking for a supplemental appropriation. I know last year there was some concern about getting the money on time, and I think that we worked pretty diligently to expedite that.

Chairman PERKINS. Would that not lead to further confusion on the payments?

Secretary BLOCK. If you are suggesting by not having a supplemental would it lead to further confusion on the payments——

Chairman PERKINS. Could you give the Department's most current breakdown on the number of free, reduced price and paying students that have dropped out of the national school lunch program nationwide since last year, and does the Department have any recent information on why dropouts in each of these income levels is occurring? Give us that information.

Secretary BLOCK. Mr. Chairman, preliminary participation data for October 1981 when compared with data for October 1980 revealed that 1,700—these are the outlets—have left the program. Of these approximately 1,000 are private schools, and I am talking about schools and not children, but I can give you that, too. A thousand are private schools that are no longer eligible to participate because they are charging over $1,500 in tuition. That takes 1,000 out of the 1,700 schools out automatically right there, or they dropped out because of that.

Two hundred are residential child care institutions. The remaining 500, which I think are probably the ones we should be concerned about, are the schools—approximately ½ of 1 percent is what they represent of the total public schools, and these 500 are public schools who dropped out of the program.

Now in terms of children—I will ask Mary to give you the numbers on the children.

Chairman PERKINS. Can we have the number of children who have dropped out, please.

Mr. DICKEY. Mr. Chairman, comparing those same months the total participation in the school lunch program indicates approximately 3 million children are no longer participating. In other words, the numbers have totally declined 3 million. That breaks down to about 900,000 that are free, about 300,000 at a reduced price, and the remainder are paid children.

Chairman PERKINS. We have heard a great deal of testimony before this committee on the number of schools and children that have dropped out of the lunch program. However, we have heard very little concerning the breakfast program. Could you give us the Department's current figures on how many schools and students have dropped out of the school breakfast program since last year?

Ms. JARRATT. Mr. Chairman, the breakdown on the meals is that there has been a total drop in breakfast meals of almost 10 per-

cent, and that breaks down to almost 7 less in the free category, almost 25 percent less in the reduced, and 19 less in the paid category. The number of children participating in November was 3.5 million.

Chairman PERKINS. Does that complete your answer?

Ms. JARRATT. Yes, sir.

Chairman PERKINS. Let me ask you another question then, Mr. Secretary. To what extent have children dropped out of the breakfast program? Repeat those figures again, please.

Mr. DICKEY. Mr. Chairman, the October 1980 comparison to 1981 figures in the breakfast program indicate a decrease of approximately 200,000 children in the free program, about 62,000 decrease in the reduced price, and 1,000 decrease in the paid category. That equates to approximately 360,000 children decrease overall, and that is about 10 percent.

Chairman PERKINS. Thank you very much.

Now, Mr. Secretary, Mr. Charles Williams, the principal of the Morgan County Elementary School in Kentucky, at a field hearing held in Ashland, February, 19, 1982, testified that before 1976 he had to fill out one form each month in order to comply with the Federal regulations governing the school lunch program. He says, "Since 1976 the number of forms has increased from 1 form to 17 forms each month."

It was my understanding that a major goal of this administration, even though this started under the Carter administration, was to cut back on the amount of paperwork in the school lunch program. Will you please comment on the efforts that your Department has made in this area over the past year?

Secretary BLOCK. I will ask Mary to comment on that in more specific terms. But I hope that we have made some progress in reducing the overall amount of paperwork at this time. At the same time it is important that we do a better job of screening eligibility because a lot of the criticism we have gotten is concerning some amount of abuse in some parts of the country. So it is kind of a dilemma you get into here in trying to do it right, but we should be cutting back more.

Ms. JARRATT. In reconciliation last summer, we did agree to drop the requirement for the State plan and to look at the labor reduction issues, and there were a number of other provisions that we hope will have the impact of cutting down the total number of documents. Also, we would like to consolidate, perhaps, some of the requirements so they could come in with the AIMS report. I am not sure exactly of the total a school must comply with at the moment, but we are quickly trying to move to deregulate and get all those provisions in place so that the schools will not have as many forms as they did.

Chairman PERKINS. Mr. Craig?

Mr. CRAIG. Thank you very much, Mr. Chairman.

I have a couple of questions, and I understand in the rotating process the ranking member asked that staff be allowed to ask questions.

Secretary Block, welcome to the committee. It is good to see you again. We appreciate your coming to talk about some areas that are of real concern to us due to many of the changes that we went

through last year and some of the proposed changes you are talking about this year.

It is always good to see Mary and Gene, and welcome to you, Mr. Cornelius. We look forward to working with you in the coming months.

I suspect there is no issue amongst all that we have to deal with that has received more attention, praise, and criticism than the area of the school lunch program and child nutrition. I have taken a relatively active role in the area because of my concerns, not only that we need good, adequate nutritional lunch programs, but that we can do it in a more efficient, cost-effective way. And I think some of the moves we made last year are resulting in improved services. Much of the hue and cry which went out following some of those changes has not been substantiated, as some thought at the early stages it might be.

Although I can't say what we have done is perfect, nor what you and your Department has done is perfect, I think in the aggregate we have accomplished something in showing we can rely to a greater extent on the efficiency of local units and the States to bring about a program that is more manageable and cost efficient.

The one area that concerns me is a cap in the overall expenditure or appropriations level. Would this not permit you, if a cap had arrived, to eliminate reimbursement to the paying customer? If this were an option you had to take, would that then allow you the flexibility to move the money around?

Ms. JARRATT. Yes; it would.

Mr. CRAIG. What kind of an impact, if you had to do that, do you think there would be on local school programs, especially if local officials could not be certain of the level of Federal reimbursement into the program on a per meal basis?

Ms. JARRATT. We don't contemplate playing with the reimbursement scheme, Mr. Craig. That was not the reason for coming forth with this proposal. The reason was that we felt that the program is fairly stable, overall enrollment has declined, and we did not need any more flexibility or leeway in the funding request But we do not intend to change the procedure on the schools in the middle of the year. That is not the intent of this proposal.

Mr. CRAIG. I had a real concern for agriculture when I started looking at the budget and trying to hold the line at the 1982 level of funding, and coming from an agricultural base, I know this isn't a good sign for agriculture, but aren't we looking at a rather flat line in food costs, and therefore a rather flat or declining situation in many of our agricultural commodities?

Have you been able to project or factor in what kind of food costs and growths we are going to see in the coming years as it relates to current market situations?

Secretary BLOCK. We did do this. I am not sure about the exact percent increase. It was 5.6 percent, I am told. That is the figure we factored in.

Mr. CRAIG. You use the 5-percent food cost?

Secretary BLOCK. Yes. It may not be that much, to tell you the truth. We are just started into the year and not far enough along to know.

Mr. CRAIG. Looking at last year's pattern, and this year's pattern, not showing real improvement in that area, I think you are being very realistic. I think 5 percent might end up being a high figure.

Secretary BLOCK. Even if we see stronger agricultural prices at the end of the year, and we hope we do because we need them badly, it probably wouldn't be translated into food very soon. And frankly, they are only in part translated into the cost of food anyway. It may be 30 percent.

Mr. CRAIG. That is true when you consider all those items.

Congressman Goodling asked if I would ask this question of you. It relates to your proposed elimination of the summer feeding program. With the changes made last year in the summer feeding program, which included elimination of the large-profit sponsors, and with a new focus concentrating on the needy children, we believe we have a partial handle on the problem. I think if you will remember, we went from one-third free lunches to a 50-percent factor in which we attempted to concentrate on the very hard-core needy areas.

How can the administration justify a proposal to eliminate the $60 million program, especially when the administration recognizes this need 9 months versus 12 months of the year to provide free lunches for the same population?

Secretary BLOCK. The school lunch program is a program that has been in place for a long time. It is kind of a part of our fabric of life here in the United States, but the summer feeding program, frankly, I don't think that it is at all an appropriate kind of program for the Federal Government to operate.

The Federal Government does not provide it everywhere. We are only providing it in a few places. The truth is there are many needy people in other places that don't have access to it at all, and so we are playing favorites by providing it to a few.

I think, that if the States want to provide a program like this to selected areas within their State, then they should be the ones to make that decision. We are too far removed from the people to decide where programs like this should exist. I think it can be much better handled by the States.

Mr. CRAIG. What you are trying to say, then, is that you are tying the school lunch program back to the school as a part of the school program while school is in session?

Secretary BLOCK. Yes. We are not trying to do it for the whole year. We are tying it to the school. It is an institution that is there, and we have better control in the way of handling the responsibility more effectively.

Mr. CRAIG. Are you trying to say the feeding program is not tied with the school program, but that it really becomes, at least at its current level, part of the total welfare for social programs of this country and is not directly tied to education and/or the school lunch program?

Secretary BLOCK. That is the way I would visualize it, sir.

Ms. JARRATT. We did address the institutions which provide the service, but the program is still not targeted quite as tightly as the administration feels it should be. It can operate in a jurisdiction where 50 percent of the students are in the free and reduced cate-

gory, which means a number of higher income children can also participate and we feel the targeting is a major flaw.

Mr. CRAIG. We have yet to go through a summer and see the results of the programs we put into effect this last year, is that not correct? Let's see, we moved it back into the school lunch facility, did we not?

Ms. JARRATT. Schools, camps, and public agencies.

Mr. CRAIG. So we didn't go quite that way. I know it was considered. Would it not be wise to follow through for one summer, and see how the program works versus its elimination? We will be into a summer now and will have an opportunity to see that.

Ms. JARRATT. We will certainly do that.

Mr. CRAIG. This is true, we are going to do it this summer. But I am firmly convinced that the way to handle it is to relieve the Federal Government of that responsibility and let the States make those decisions. I don't care how effective it may be or appear to work in a few chosen areas in the United States, it is still just kind of a piecemeal program in a few chosen areas. I just don't think the Federal Government should have a responsibility of functioning this way.

I think the States should pick out those chosen areas. The Federal Government is not going to be able to provide this to everybody in the Nation. There is somebody in one State that qualifies just as much as somebody in another, but he doesn't get it because we are not going to offer it there. Or because he lives in a rural community and there are not enough children to make it practical. Let the States worry about that.

Ms. JARRATT. You could further expand it if you wanted to at the State level, because this is a program where the State could use the general assistance block grant money if it so chose.

Mr. CRAIG. Thank you very much. That question was asked on behalf of Congressman Goodling. I am sure we will debate that long and loud, because I have a differing point of view that would probably be closer to yours, Mr. Secretary.

Chairman PERKINS. I want to follow up on one question. You mention that in October you had about a 3 million dropout from the school lunch program. Don't we have later statistics than October? I thought we had some December statistics of about 3,400,000. Am I correct in that statement?

Mr. DICKEY. Mr. Chairman, the data for December is still extremely preliminary. States submit data to us——

Chairman PERKINS. What does the preliminary data show for December?

Mr. DICKEY. Mr. Chairman, that is correct. It is 3.4 million; down from 26.7 million to 23.2 million.

Chairman PERKINS. Mr. Corrada?

Mr. CORRADA. Thank you, Mr. Chairman.

First of all, I would like to say that last year, of course, I opposed very strenuously the food stamp block grant for Puerto Rico. That is now a fait accompli, and I now State I am encouraged by the discussion between your Department, Mr. Secretary, and Ms. Jarratt and others, with government officials in Puerto Rico pertaining to the presenting of their plan for the use and distribution of that block grant by April 1.

Also, I am encouraged by the fact that you are not renewing this year a proposal that was originally made last year but then withdrawn to consolidate, in the case of Puerto Rico, the school lunch program with food stamps and other nutrition programs, which, in my view, would have been a serious problem to us. And I am pleased to see that proposal which was withdrawn last year is not being renewed or made or proposed this year.

Of course you know, Mr. Secretary, that in Puerto Rico the Governor has a plan which I fully support for a 12-year development of our agriculture and diversification of agriculture, which is very important for us to be able to take care of some of the nutrition requirements of our population down there. And we look forward to the technical assistance of the USDA in coordination with the Puerto Rico Department of Agriculture and farmers there for a more efficient agriculture production in the island.

Having said that, Mr. Secretary, I would like to express—not just as a representative of the people of Puerto Rico in this committee, but as a member of this committee—I have some concerns about the WIC program. It has proven itself to be one of the most cost effective of all Federal programs, and every dollar spent on WIC saves $3 in medical costs; and yet the administration is proposing that it be cut by 37 percent and folded into the maternal and child health block grant.

What is the rationale for short-term savings when they will mean greater costs down the road by merging this WIC program with the maternal and child health block grant?

Secretary BLOCK. The plan for the WIC program would be to transfer it to HHS, and then it would be block granted along with some other programs. The overall amount of money for the block grant is less than what we currently have, and I think that is what is your concern.

I do feel it is very appropriate that these programs also be given to the States to administer. And once again, in my opinion, it should be transferred to the States because it is not a program that is universally available to people all across the United States. It is only in a few selected cities and a few selected neighborhoods that the program is available.

To be very honest we don't anticipate, none of us in Congress or the administration, making it available to everyone in the United States that meets certain qualifications. Consequently, I think it is a perfect example of a program that should fall under the jurisdiction of the States. Let the States choose whether to manage it. They can manage it more efficiently than it can be managed from Washington, D.C.

I understand your question and, you can quarrel with the fact that we are not giving as much money back to the States in a block grant as we did the year before. We contend there will be some savings and, frankly, a program like this, probably the States should carry some of the responsibility for funding and not the Federal Government for the total amount.

Mr. CORRADA. Mr. Secretary, you are proposing also to merge the school breakfast program and the child care food program into one general nutrition assistance block grant. Since both programs have permanent authorizations will this be a permanent block grant,

and how do you see the States, where different agencies are administering these programs, distribute their apportionment of funds equitably and efficiently? What will happen in those States where the State legislature prohibits the State from administering the child care food program?

And, finally, what will happen in those States where the State legislature prohibits the State from administering the child care food program?

Secretary BLOCK. In the first place I guess nothing is absolutely permanent in government. It changes from year to year, and there is an appropriations process every year. I guess we couldn't guarantee that it is permanent; and Congress can't, either.

The question about whether it will be administered fairly throughout the States—you know I have a great amount of faith in State government and feel the State governments have the interests of their people at heart. They have elected legislatures and elected officials just as we do at the Federal level, and I feel that they want to be and would be encouraged because of the political process if nothing else to be responsive to their citizens.

And a third part of your question was about States that would not allow this to be distributed. I don't know the answer to that. I didn't know that would be the case.

Mr. CORRADA. There are certain prohibitions in certain States that prohibit the State from administering the child care food program. How would you go about resolving the problems created by this change?

Mr. DICKEY. I believe that the prohibition is more specifically targeted to the disbursement of Federal funds to religious institutions rather than the predominant target of the child care program, which is a child feeding operation.

There are some States that do prohibit the distribution of Federal funds to religious schools and religious-affiliated schools. The national school lunch program is one of those programs that is affected, and in this situation it would not be one of the programs that is targeted for the block grant.

Pertaining to the issue of the child care and breakfast block grant, I believe there are five States in which there is a different State agency administering the breakfast as opposed to the child care program. In those States we would look to a lead State agency to determine the mix between their programs and the kinds of programs they had. Of course the flexibility would be built into this so they could have other programs other than child care and the school lunch programs if they desired.

Mr. CORRADA. I yield back the balance of my time.

Chairman PERKINS. Ms. Fiske?

Ms. FISKE. Have the schools responded to the large surplus of Government-stored cheese and nonfat dry milk by requesting increased amounts in the form of bonus commodities? And could one argue that perhaps this increased availability has partially offset some of the reductions in reimbursements they received last year?

Secretary BLOCK. I have no statistics to indicate that the schools have responded by taking much larger shares of milk and cheese. I hope they are. I would encourage them to do that. It is good to

have that extra glass of milk or two a day, but I can't say, unless someone else here has something on that.

Ms. JARRATT. We have encouraged them to. Whether they have taken more than they would have without our encouragement I think it is fair to say they probably have taken more because we have constantly reminded them through our regional offices and State directors, but whether the exact amount is over what they would have taken without the reminder, I am not sure.

Ms. FISKE. We would have to perhaps look a little bit later on in the year to find that out. Would we?

Ms. JARRATT. Yes.

Ms. FISKE. Mr. Secretary, if the administration's fiscal year 1983 national school lunch program and child nutrition budget package were to be approved. From your perspective what would be the future role of the food and nutrition service and your department in school lunch and child feeding activities?

Do you see yourselves as a conduit for declining Federal cash assistance, a purveyor of donated commodities? How do you view your future role?

Secretary BLOCK. I really look at it as perhaps indicating we have finally arrived at what our role is. Our role would be one of concentrating where we can be of the most use and provide the greatest assistance to the country. We see that as the school lunch program, while allowing the States—as a conduit—to do some of the other programs that are closer to them.

I guess we are kind of coming down to a school lunch program, on one side of the ledger and then on the other side would be the food stamp program. Those are the two primary programs, and those would be the two that the food and nutrition service would concentrate on. We would expect the States to carry the load in a lot of the other programs that in the past have been overlapping and peripheral programs, relatively speaking.

Ms. FISKE. Mr. Secretary, your Department, in conjunction with the ABT Associates, has conducted a study of the child care food program operation in family or group home settings. We understand that one phase of this congressionally mandated study has been completed.

Sir, we would like to be provided with phase I of this study, if that is possible; and additionally, we would like to have the tentative findings of phase II of the study, which we have been advised will not be finally completed and available until later this spring. I think it would be helpful to us at this point in time. Would that be possible?

Mr. DICKEY. The first phase has been completed; the second one has not. We anticipate by May 1 that we will have the data together and analyzed on phase I, and we could give you some preliminary information at that time.

Ms. FISKE. Thank you.

Chairman PERKINS. Mr. Kildee?

Mr. KILDEE. Thank you, Mr. Chairman.

Mr. Secretary, last year in the Food and Agriculture Act of 1981, Congress authorized pilot commodity supplemental feeding programs for the elderly. After that authorization, the Appropriations Committee and the full Congress appropriated money for those pro-

grams, that were expected to take place in Detroit and New Orleans. Are you familiar with these programs?

Secretary BLOCK. We have no information on that, but we can get the information and pass it on.

FEEDING PROJECTS FOR LOW-INCOME ELDERLY ANNOUNCED

WASHINGTON, March 17.—Demonstration food programs for low-income elderly persons are planned by the U.S. Department of Agriculture at two locations beginning this summer, according to Assistant Secretary Mary Jarratt. The sites will be announced this spring.

The purpose of the demonstration will be to examine various food packages and delivery systems for providing supplemental foods to the low-income elderly. The project will tie into existing commodity supplemental feeding program sites which serve low-income pregnant women and small children.

"We are especially concerned about low-income elderly persons who are incapacitated through sickness and transportation problems," Jarratt said. "Even during these times of financial restraint, we cannot overlook our commitment to improving food delivery systems to those who are truly in need."

Jarratt said selection of the demonstration sites will be based on proposals submitted from the existing 26 sites that already participate in a supplemental food program for infants, children, and low-income mothers. Some of the largest programs are in Detroit, Mich., New Orleans, La., Memphis, Tenn., San Francisco, Calif., and the District of Columbia.

"We anticipate the proposals will include provisions for direct distribution to the homes of the elderly," Jarratt said. "We intend to emphasize use of voluntary private and local resources for food package delivery. This will provide a unique opportunity for government and the private sector to join hands in addressing the particular problems of low-income elderly shut-ins."

Mr. KILDEE. Can you tell us why nothing so far has been done by the Department with the funds appropriated for these programs?

Ms. JARRATT. My office, this afternoon, is in discussion with Mr. Whitten's staff on the Appropriations Committee about this very issue. As you know, the conference report left the language discretionary to the Secretary, and the reason that we did not fund it earlier is because in our mode of setting of priority on food stamps and lunch and focusing the other programs to a State direction, we did not believe in further Federal expansion.

However, we are reviewing that decision and nothing is definite, and hopefully by the end of today or tomorrow we will have made a decision on it.

Mr. KILDEE. I am certainly encouraged that you haven't finalized that decision and that it is still open.

I think there is a specific need to be addressed in those two cities, but I think also that we could find out without a great expenditure how that program would work. I would certainly encourage you to carry out what I think was a clear Congressional intent to operate these programs. If you could inform this committee about your decision as soon as it is made, we would appreciate it.

Ms. JARRATT. We will inform you.

Mr. KILDEE. The WIC program has proven itself to be one of the most cost effective, I believe, of all Federal programs. In fact, last year Deputy Secretary Richard Lyng said the reason that the program was being cut was that it was just too successful. The need was found to be greater than had been anticipated.

WIC has proven to be fiscally effective. Every dollar spent on WIC saves more dollars in medical costs. Some say it saves as much as $3 in medical costs for each dollar expended. Yet the ad-

ministration is proposing that we cut the WIC program 37 percent and fold it into the maternal and child health block grant.

Can you give us the rationale for this short-term saving in what I think Mr. Lyng himself would indicate is an effective program that accomplishes long-term savings?

Secretary BLOCK. I concede there is data that would indicate it is cost effective. I don't know that we have very recent data on that necessarily, and probably it should be looked at more carefully. But the fundamental reason is very simple, as I have stated before, that program—it is a program that is concentrated in a few areas in the United States. It isn't universally available to all of those who really would qualify for it. It definitely isn't.

It provides an advantage to some just because they live where they do, or somehow they are able to get into the program. Others because they live in a State where they are not inclined or a rural area, they are not going to have access to the program.

The final analysis really is, that it is a program that can be better managed by the States, where they are working more closely with the people. I firmly believe this. I think a program like that should be handled by the States because, as Mr. Lyng did say, it has been successful.

However, I don't think any of us in this room really expect it to be made available to everyone in the United States who would meet certain qualifications. If we are not going to do that, sir, I don't think the Federal Government should be the one doing it.

Mr. KILDEE. We will never be able to identify, locate, and serve everyone in this country who is hungry, unfortunately. Your statement that we haven't reached everybody could be used as a reason for expanding the program, rather than cutting it.

That is why I felt Mr. Lyng's statement last year was counterproductive to his point of view and very defensive of our point of view about the vital importance of the WIC program.

I feel, that the fact that we can't reach everybody who should be served, shouldn't be a reason to cut people off who are being served.

Many people now utilizing the program will not be utilizing it after a 37 percent cut. Do you truly believe that in my State, the State of Michigan, we can pick up the additional costs created by this cut?

Secretary BLOCK. I am not sure it depends on your priorities. I think every State is going to have to set them if they decide they want to make up some of the difference.

Here you have the situation once again, if the Federal Government cannot do the job nationally, and we can't, we are not going to do it nationally. It can be better handled by the States, let the States do it.

We are going to block grant a substantial portion of that money to the States. There will be greater efficiency as a result of the States handling it and the Federal Government not getting so much involved.

Mr. KILDEE. Federal dollars are not foreign aid. Washington is not a foreign capital. In a cyclical economy like the United States, the national government is much more in a position to respond

with programs and funding to offset negative effects than is State government.

Right now, the State of Michigan is economically in serious difficulty. You are asking the States to choose their priorities from a long list when they can afford to continue only a few.

That is a theoretical rather than a practical choice. The States must decide which one of their children to feed; which one of their old people to feed. It is cruel to ask them to choose their priorities when they are being bombarded with cuts from every Federal Department.

Michigan can't respond now. There is no way it can pick up the responsibility for those programs with the plethora of other programs being dumped by the Federal Government.

I do not think one can cavalierly dismiss this by telling the States to choose their priorities. I reject that.

Thank you, Mr. Chairman.

Chairman PERKINS. Thank you very much.

Mrs. Fenwick.

Mrs. FENWICK. Thank you, Mr. Chairman. I have a number of questions. Maternal and child health [MCH], it is called here, is that an existing program?

Secretary BLOCK. Yes.

Mrs. FENWICK. What was it funded at?

Ms. JARRATT. $300 million.

Mrs. FENWICK. $300 million?

Ms. JARRATT. Yes, ma'am.

Mrs. FENWICK. For 1982?

Ms. JARRATT. Yes.

Mrs. FENWICK. I have had an opposite opinion about WIC. I cannot understand a separate program which says to a woman who is expecting a baby, you may come for these 9 months and for 1 more year following the birth of your child. But your child will be coming to this same place for 5 years. I don't think that is commonsense. I think we ought to have a maternal and child health program which would do what WIC does and take a pregnant person who obviously is both a woman and about to be a mother, and put them in the same program with the child; and they should have nutritional and medical aid with one set of papers instead of a whole separate arrangement which is going to end for her when the child is 1 year old and go on for him or her, the child, for 5 years.

I just do not see the rationale of such a program. If it can be merged with maternal and child health, I would think it extremely wise.

I would like to yield to my colleague if he has any reasons against the logic of my position.

Mr. KILDEE. You and I might be able to sit down and write a great program if we didn't have to deal with a 37-percent cut.

Mrs. FENWICK. You are not against the merging of it? It is the cut that bothers you? The $300 million has been in maternal and child health. Together with the other general assistance, now the commodity supplementary food program is also going to be merged as I understand it, and the level here will be $1 billion.

Of course, we have to see what the cut is going to be. The commodity supplementary food program, the CSFP, is that the one that supplies commodities to day care centers for the nourishment of children?

Ms. JARRATT. Yes.

Mrs. FENWICK. Are you saying yes?

Ms. JARRATT. The child care program provides the commodities to the day care centers. The commodity supplemental feeding program also addresses the mother and the little child.

Mrs. FENWICK. Then they all belong in maternal and child health, don't they?

Ms. JARRATT. Yes.

Mrs. FENWICK. We have to stop this plethora of programs. I go to the meetings of the social workers in my State. They beg for one set of papers. It would be sensible to have one set of papers in one office. The State should decide what the criteria are and apply them and merge the programs for children and mothers.

Then if you have supplementary for schoolchildren, that is a separate program. The program for maternal and child health ends when they go to school.

Then you begin to get some sense in here.

Ms. JARRATT. You are right, Mrs. Fenwick, because the portion of the caseload that we have research for demonstrated impact is really the pregnant mother.

Yet over half of the caseload, there are 2.2 million people on this program; over half of them are children. We do not have the research that indicates the program is as effective for the children as child care and other programs that do become available.

I think we tend to look at this as if it were the only program to address this need just as we looked at food stamps for years to address the feeding needs of the household.

Actually when the program started out, that was true. However, we have added more and more programs with similar purposes.

Mrs. FENWICK. My dear lady, we have 11 programs to feed children, not just a few. We have 11.

Ms. JARRATT. Right.

Mrs. FENWICK. Liz Holtzman, on the floor of the House, described this. You remember that famous speech which referred also to the summer lunch program. That was her attack on the $1 million that was made in the summer lunch program in 11 weeks by some group in her district.

As she said at the time, there are 11 programs that feed children. I think we are going to have to feed children, period, and not have a whole lot of offices and papers that have to be paid for before we can feed them.

Thank you, Mr. Chairman.

Chairman PERKINS. Thank you very much.

Mr. Williams.

Mr. WILLIAMS. Thank you, Mr. Chairman.

Mr. Secretary, we heard a lot in the last few years about some government programs that don't work and were misdirected and have fallen flat; but, perhaps understandably, we don't hear much about those public efforts that have worked well.

Twenty-two years ago, I remember Presidential candidate, Jack Kennedy, trying to draw this Nation's attention to the hungry among us, and then President Eisenhower made a response to that.

He said those people in America who go to bed hungry are on a diet. Well, we have since found out that that was a gross misstatement on the part of former President Eisenhower and we have since tried to do something about gross malnourishment in this country, and we have been successful.

We have significantly reduced gross malnourishment in America and we have done it, in my judgment, because of the nutritional components of the Headstart program, because of school lunch programs, milk programs, women-infant-children feeding programs; and I am wondering why it is we want to make significant departures from programs that seem to have worked.

Last school year, Mr. Secretary, there were 27 million children participating in the lunch programs. Then the President's budget cut those by 35 percent or $1 billion and since that time, more than 1,000 schools and 4 million children have dropped out of the lunch programs.

Last school year, 4 million children received school breakfasts; and then the President's program cut school breakfasts by 20 percent or $78 million in child care food programs by 33 percent or $90 million; and since that time, 800 schools and almost a half a million children have dropped out of school breakfasts.

We estimate that 70 percent of those children are below the safety net. They are poor children.

I am wondering why?

Secretary BLOCK. Mr. Williams, part of the reason why, I think, is provided in your introduction here. You named a list of programs but not nearly all the programs. I concede that the programs have done a great amount of good over the years, but I think we have overdone it. We have so many different programs administered by different departments that they are overlapping. I feel that by concentrating on the two basic programs, the food stamp program and the school lunch program, we will still be successful in getting the job done while allowing the States to carry the responsibilities for the other kinds of programs.

I think we have really concentrated in the right places and have the Federal Government role properly defined.

In terms of why the dropouts in these schools, it cannot necessarily all be laid at the doorstep of the increases in the cost to the paying child and the one that pays partially.

We have had a reduced enrollment in a lot of schools. We have had lower eligibility for different reasons; and to tell you the truth, I think there are more children that just want to eat at McDonald's. When you put these all together you get a few less than the number that end up no longer taking part in the school lunch program.

I don't have the figures, but I really think in the last couple or 3 years, we have seen a fall-off in those that have chosen to take part in the school lunch program and not just this 1 year.

So I don't think we can just point the figure at the changes in the program last year.

Mr. WILLIAMS. Mr. Secretary, McDonald's has become inordinately popular since Ronald Reagan took office. We have never had this type of elimination of students from these programs until we began to slash the nutritional budgets in this country.

I really think it has more to do with that than it has to do with the popularity of the Big Mac.

Let me ask you this: If the school lunch programs are turned back to the States, how will the donated commodities, that is, the donated commodity component of the program, be administered and apportioned among the States?

As you know, I am from Montana. Along with being concerned about nutrition, I am concerned about the stability of agriculture and this question gets mainly at that.

Secretary BLOCK. You are talking about what happens if and when the time comes that the States and this Government, if we are successful, can come forward with the full switch in the federalism program as the President has proposed.

Those are details that I have to admit—they haven't been worked out yet. I don't have the answer to that. I understand your concern, though. I appreciate that.

Mr. WILLIAMS. What bonus commodities will be available to the schools? Have you informed the States of their availability, how to go about getting them?

Mr. DICKEY. Mr. Williams, yes, sir, we have. In addition to the availability of 100 million pounds of cheese for needy household consumptions, we have made a very direct and positive effort to notify State agencies and individual school districts of the availability of those bonus items, such as butter, cheese, and dry milk and a considerable amount of work has been done on that and is continuing to be.

Mr. WILLIAMS. Thank you, Mr. Chairman.

Thank you, Mr. Secretary.

Chairman PERKINS. Mr. Ratchford.

Mr. RATCHFORD. Mr. Secretary, we have tried for 3 or 4 weeks to get Budget Director David Stockman up here without success; and, therefore, some of the questions we ask you, we really would prefer to direct to him, but apparently he's not going to come before the committee that had to swallow $12 to $13 billion in cuts last year.

Looking at the budget you are talking about today, what percentage would you say was developed in your shop and what percentage got put together by Mr. Stockman?

Secretary BLOCK. As we look at the budget or this plan that we have, I would say that the plan is basically our plan. There was a great amount of discussion within the administration. I am sure you are aware there was quite a bit of discussion about making further cuts to the paying children or to the ones that were paying partially for their meals, to make them pay more.

I didn't feel this was appropriate. In the final analysis, we kept the program as it was. I think that is appropriate, because it is the way we want it.

I think the basic program is a school lunch program, and we have stayed with that and hung tight with that and that is the one we want to keep together.

Mr. RATCHFORD. Looking back on last year's plan—and you know what happened to school lunch last year—was that your plan or was that basically a Stockman plan?

Secretary BLOCK. Last year's plan, I would say, was a combination plan. We moved very quickly in a hurry to try to get control of the rising costs. Furthermore, we had a concern about those that were affluent not really being charged very much and should be paying a much higher percentage of the costs of the meal; and philosophically, I still agree with that.

I do concede that there is some danger if we move to force the affluent to pay even more, we may lose more students out of the program. This is a concern, but philosophically, I think that was right and that was proper to charge them.

Mr. RATCHFORD. When we talk about cuts, whether it is last year or this year, they are basically your cuts is that what you are saying?

Secretary BLOCK. Yes, sir.

Mr. RATCHFORD. Mr. Secretary, I guess I don't have to ask you—if you had the decision to make, would you continue the national school lunch program?

Secretary BLOCK. If I had the decision to make, I would turn it back over to the States.

Mr. RATCHFORD. Completely?

Secretary BLOCK. Yes, sir.

Mr. RATCHFORD. So there wouldn't be any national mandate as far as the nutritional needs of schoolchildren are concerned?

Secretary BLOCK. That's right. There might be some kind of guidelines or certain responsibilities they would have to meet in carrying on this program. I guess I have not really thought in much detail about that.

In the federalism package, I don't think those details are worked out, either. I would be very happy to see those programs turned back to the States.

Mr. RATCHFORD. Have you analyzed or has your staff analyzed which of the 50 States might be inclined to assume this responsibility and whether or not they are financially equipped to do so?

Secretary BLOCK. I have not done that. I don't know if we have any figures on that. I have heard and talked to a lot of people in the country. Most of them would be glad to let the States run it, because they are tired of filling out forms for the Federal Government and meeting certain mandates that the Federal Government chooses to impose upon them.

Mr. RATCHFORD. What would you do if the States opted to have no program whatsoever?

Secretary BLOCK. I don't know. I guess I haven't crossed that bridge at this point in time. I cannot visualize that, sir. I just do not think they would opt for that, because the school lunch program is something that I believe they think is important, too, as we think it is important.

Mr. RATCHFORD. Mr. Secretary, I guess many of us here never thought we would hear a Secretary of Agriculture opting for that, either.

Let me ask you this: Have you done any tracking whatsoever of whether any of the 50 States have picked up the school lunches cut

as a result of your budget last year? Do you come here equipped to know what the 50 States have done in reaction to your budget?

Secretary BLOCK. I can't tell you that, sir.

Mr. RATCHFORD. Yet you want us to make decisions based upon a philosophy, not fact?

Mr. DICKEY. I think it is fair to say that none of the State governments have appropriated additional money. There is a match for the general assistance grant. There has been for several years. Given the fact that State governments had that money already appropriated, I think that that has not been increased.

There has been some movement. I don't have real good data on that. There has been some movement in terms of local governments helping to some degree.

Mr. RATCHFORD. Could you be more specific? In my State, the only movement on behalf of local government is to terminate programs. I come from a fairly wealthy State, the State of Connecticut. Yet in my district, the only discussion relating to the impact of your budget is to eliminate the school lunch program.

Mr. DICKEY. I don't think it is an overriding tide, but there is some. There was already so much local support going into the program anyway; but one thing that has happened is, that there are more a la cart or extra food sales. That is a predominant trend throughout the Nation.

Mr. RATCHFORD. Again, what States and what districts? I would be happy to receive the information. Everything we have received, and your initial answer indicate information no State, not 1 out of 50; and then you can't give us specifics on school districts.

We have to make decisions on hard facts, not philosophy.

One final question: Has there been any discussion between your Department and Secretary Bell's Department about the potential impact on education if this proposal flies?

Secretary BLOCK. Secretary Bell and I have talked. Frankly, I guess we haven't addressed that in those specific terms. He concurs with the plan as I concur with the plan; and I don't know what his opinion is, but I don't feel that he feels as I feel that there is going to be any adverse impact on education.

You should ask him, I would assume.

Mr. RATCHFORD. I would like to feel that you would ask him. Even in the State of Connecticut, and we call ourselves the land of steady habits. The only steadiness we have seen is to take those cuts and either eliminate programs or to pass them on to cities and towns that are now telling me that they can't afford to pick them up.

The bottom line, fewer children fed and the nutritional element of a school lunch program diminishing. That is the impact I see.

I yield back the balance of my time.

Chairman PERKINS. Mr. Secretary, let me ask you a question. If I understood you correctly, you stated that we should concentate on only two programs: School lunch and food stamps.

You suggested that we let the other programs go; but you didn't mention that in the President's swap of programs that there would not be these two programs at the Federal level.

If I understand correctly, both the food stamp and school lunch would be turned over to the States with a temporary trust fund of Federal money.

After 1991, there would be no Federal money for these purposes and States could choose as early as 1984 to use all of these trust funds for general revenue sharing. Don't you see any Federal concern in those areas?

Secretary BLOCK. I do think there is some Federal concern, but also the overriding factor is that the Federal Government should be turning more responsibilities back to the States; and it is the President's suggestion for us to work on, the Congress, the administration, and the States, his suggestion is that we make a swap.

The Federal Government is going to assume a greater role in medicare/medicaid, but let the States assume a greater role in the school lunch programs and the nutrition programs and the food stamp program.

I know that the President has conceded that we may not be able to move as quickly on these last two suggestions; but the other many miscellaneous programs, he's had a good hearing with the States and the States are ready to move on many of them.

I think that they should be moved on as quickly as possible and we should keep it as a goal to move on the others when we can.

Chairman PERKINS. Ms. Fiske?

Mr. DIEUGENIO. First of all, Mr. Goodling would like to extend his appreciation for your efforts in securing funding for the school lunch program of 1983.

I think that was one of his major concerns. I think he appreciates everything you have done within the administration and the decisionmaking process you had to go through to get that program funded at the appropriate level.

There are two questions I would like to direct on behalf of Mr. Goodling concerning the summer feeding program.

Mr. Craig, I think, expressed Mr. Goodling's initial concern. The one question involves the intention in the summer feeding program to provide only one camera-ready copy of the vital summer feeding publications to State agencies which administer the program.

The State agencies in turn may duplicate these documents for distribution to sponsors. The question is why has the Food and Nutrition Service decided not to make such publications as the field preparation handbook, site supervisor's guide, and monitors handbook available to the States in bulk quantities?

Mr. DICKEY. We have made that decision, basically there are two steps to that. Those programs we administer directly, and I believe there's about 15 or 16 of those States. I can't be sure of that number, but several.

We have made a decision to print those documents, the site handbook and the sponsor handbook. We made the decision on the camera-ready copy in terms of the program aids, to make that available to the State agencies for two reasons.

One is they have access to State administrative expense funds and candidly, it is a cost saving approach as far as the Federal Government is concerned.

Since they have those funds, we believe that they will be able to do that.

Mr. DIEUGENIO. Is it possible, for the record, if we could have a list of all the publications, pamphlets, handbooks, and other technical assistance documents furnished to the States for sponsor use last summer?

Mr. DICKEY. Certainly that is possible.

[The information referred to above follows:]

LIST OF MATERIALS SENT TO REGIONAL OFFICES FOR 1981 PROGRAM YEAR

For the 1981 program year, FNS regional offices were surveyed for estimates of the number of handbooks, etc., both they, and the States in their region, would need. Supplies of program materials were shipped directly to the regional offices, which in turn shipped appropriate numbers of the materials to the States.

The following lists the materials sent to regional offices for the 1981 program year: (a) State Agency Guidance; (b) Administrative Guide for Sponsors; (c) Meal Preparation Handbook; (d) Site Supervisor's Guide; (e) Monitor's Handbook; (f) Food Service Management Company Handbook; (g) Outreach Brochure; (h) Financial Management Instruction; (i) Audit Guides; (j) Site Posters; and (k) Invitation for Bid.

This year, due to budgetary constraints, FNS has printed the number of copies of handbooks requested by the regional offices for those States administered by the regional offices. All other States have been sent camera-ready copies of the handbooks so that they will be able to print them for use in this year's summer program. Listed below are materials which were made available to regional offices and States for the 1982 SFSP year.

(a) State Agency Guidance; (b) Administrative Guide for Sponsors (The Food Service Management Company Handbook was incorporated into this guide); (c) Meal Preparation Handbook; (d) Site Supervisor's Guide; (e) Monitor's Handbook; (f) Financial Management Instruction; (g) Justice For All Posters; and (h) Invitation for Bid.

To ensure that the public was advised of the program, the Department developed an SFSP factsheet which was published in the Federal Register on March 9. The factsheet details SFSP participation requirements, and it may be used by administering agencies to advise potential sponsors of the SFSP.

Mr. DIEUGENIO. One final question: This concerns the plans to monitor the program. As we are all aware, the administration requests zero funding for the program for fiscal year 1983. Of course, Mr. Goodling's concern is that the program operate efficiently for this summer, fiscal year 1982, in light of the changes that were made to tighten up program administration in the Reconciliation Act last year.

Are there any plans to reduce the moneys provided to food and nutrition regional offices for the specific purpose of conducting summer feeding oversight activities? Obviously, that will be crucial.

Mr. DICKEY. Within our appropriation, we have allocated funds to each of our regional offices. We have not targeted those for specific programmatic activities. We have and are concerned about the temporary employees that we traditionally have hired. They were predominantly focused to the summer feeding program. At this point, we are reviewing that situation and will make a decision very shortly in terms of whether or not we will have the temporary employees or not.

We expect regional administrators, regardless of whether we get those temporary employees or not, to divert and move their resources to those high priority areas in terms of monitoring. We also will be working with the Office of Audit to assist us in terms of some monitoring activities in those high visibility areas that need attention.

Mr. DIEUGENIO. Mr. Goodling feels that will be crucial in evaluating the impact of the changes that are made during reconciliation to see whether or not this program is indeed more efficient in achieving its targeted purposes. I think that point is crucial and of major concern to him.

Mr. DICKEY. I understand.

Chairman PERKINS. Mrs. Fenwick?

Mrs. FENWICK. Thank you, Mr. Chairman.

Another item of consolidation that has interested me for a long time: Why are food stamps in the Department of Agriculture? Don't they belong in welfare? Are we not going to consolidate all the programs that are designed to help people in trouble according to their need, which would be established once in one place, and are not food stamps most essentially a part of it? Wouldn't that be a good idea, Mr. Secretary?

Secretary BLOCK. Food stamps are in Agriculture because they are a food program and the Department of Agriculture deals with food and agricultural issues.

Mrs. FENWICK. Do you know why they are in the Department of Agriculture? Lenore Sullivan told me. She was down here in the 1950's and fought for 4 years to try to get the gentlemen on the Agriculture Committee to allow $36 million to be distributed to buy up surplus commodities from the farmers. The Department of Agriculture would declare what was surplus and be handed out. That is why food stamps are in the Department of Agriculture, because Lenore Sullivan put them there, not because we were organizing a nationwide program of helping people in trouble.

Now the time has come, it seems to me, that food stamps have moved from the $36 million category into something covering 22 million people, as I understand it, absolutely essential to the poor, and they belong with welfare, don't they?

Secretary BLOCK. I would disagree on that count. In terms of moving food stamps back to the States, I concur. In terms of moving them to Health and Human Services, I would not concur, because I think we can administer the program more efficiently at the Department of Agriculture.

Mrs. FENWICK. But we don't need two departments helping the poor to eat. We just need one Department of Health and Human Services where people eat.

I don't know. What do you think, colleague down there?

Mr. WILLIAMS. Farmers in my State have grown to trust more than one department of the Federal Government, and one we do trust is the Department of Agriculture.

Mrs. FENWICK. Well, I can see why.

But we are talking about people and their troubles and their needs. I really think the time has come when we are going to have to stop playing games. It is too serious.

Chairman PERKINS. Mr. Secretary, in the last year, in the reconciliation package, we provided that schools could take advantage of additional assistance that was provided in the three commodities, that is that we provided some commodities to the schools in that reconciliation package. I don't think any of the schools have been able to participate because the program has not been implemented. Am I correct in that statement?

Secretary BLOCK. I am going to ask Mr. Dickey to respond to that.

Mr. DICKEY. Mr. Chairman, it is true that the regulations have not been issued. We have advised those schools and the State agencies to convert those commodity only schools since they were already on the program. We have advised the States to allow those schools to participate in the section 11 cash program and to increase the commodity program. The regulations are in the very final stages of clearance. You are correct. They are not out.

Chairman PERKINS. Do you anticipate that the regulations will be published at an early date?

Mr. DICKEY. Yes, sir, I do.

Chairman PERKINS. Mr. Kildee, any further questions?

Mr. KILDEE. Thank you, Mr. Chairman.

Mr. Secretary, you indicated that you felt that if you were to be in charge, you would get the Federal Government out of the school lunch program. That tells us a lot. I have said from the very beginning of the Reagan administration, on January 20 of last year, that under the flag of fiscal integrity—which the administration has been flying—is a strong philosophical flag. The philosophy of this administration is really far more conservative and certainly far more anti-Federal than the last full-term Republican President.

I would like to quote from Richard Nixon in 1969. He stated at the White House Conference on Food, Nutrition and Health "Malnourishment is a national concern because we are a Nation that cares about its people. A child ill fed is dulled in curiosity, lower in stamina, distracted from learning. A worker ill fed is less productive, more absent from work. The mounting costs of medical care for diet-related illnesses, remedial education required to overcome diet-related slowness in school, institutionalization, and loss of full productive potential, all of these place a heavy economic burden on society as a whole."

Richard Nixon understood that as a Nation we have certain national purposes and national goals and that combating malnourishment is one of these.

One of the reasons the school lunch program came into being is that during World War II, many people could not pass their preinduction physicals because they were ill nourished. As a Nation, we have certain national goals.

I think hunger in this country is a national concern, as Richard Nixon said it was. That has not changed. But this administration has changed and is far more right, far more conservative, far more anti-Federal, far more anti-Washington than was Richard Nixon.

Would you care to respond?

Secretary BLOCK. My only response, sir, would have to be that I don't feel we have a lack of national concern. I think we do, but we feel that nutrition can be carried out effectively by the States, because we have confidence in the States.

Mr. KILDEE. If the new federalism had been put into place 10 years ago, I can't imagine the human suffering that would be occuring in Michigan today. It is bad enough right now.

One of the sins of the administration is a certain dogmatism. We have to live in a world where we must be a little empirical, a little

pragmatic. I think that fiscally we are in this morass because of fiscal dogmatism.

Secretary BLOCK. Mr. Kildee, if the federalism had been in place 10 years ago, I am firmly convinced—and put in place in the fair way, with the fair exchange and trade offs that President Reagan proposes, then I am firmly convinced that at this time, with the difficulties in the State of Michigan—and I know they are very severe—I am still convinced the State would be meeting its needs and would not be neglecting those children and people that have a need for proper nourishment.

Mr. KILDEE. They would certainly be trying to meet their needs. I doubt very seriously whether they would.

Mr. WILLIAMS. Will the gentleman yield?

Mr. KILDEE. Certainly.

Mr. WILLIAMS. Mr. Secretary, let me followup on that.

You know, Congress is just now beginning the proper debate about the new federalism and this matter of returning things to the States. Not only are we asking can Michigan and Montana and Idaho and the other States absorb this, but we are beginning to ask should they? Should they absorb it? Should they take over these programs?

I don't have any question but that legislators in Montana are every bit as competent as national legislators are, and the Governors of the various States are competent. But that is not the question. That begs the issue.

We have had a national agenda throughout the long history of this Nation, not just in the past 20 years, not just since the "New Deal;" but for more than 200 years. This country has carried out that upon which it was founded, and that is a group of individual States and a Federal agenda guiding the effort. That Federal agenda has taken the edge off of disproportion. It has equalized opportunity. It has provided a uniformity in our national efforts, and it has worked.

You see, folks in Kentucky ought not to have to carry the burden of black lung, the payment of black lung alone. Folks in Montana ought not to have to pay the entire cost of Amtrak when they buy that ticket. We need to continue to do what we started out to do in this country, and that is—if I may simplify it—have a treasury, everybody contributes. We find out where the need is, and we take a little disproportionate amount of money out, and put it in that need.

This President and this President's Cabinet are, in my judgment, trying to wipe out the heart of that long historic Federal agenda.

Mrs. FENWICK. Will the gentleman yield?

Mr. WILLIAMS. Yes, I would be pleased to.

Mrs. FENWICK. That would be splendid if the Congress of the United States were situated in a rich district that could provide it. The problem is that we have driven this country into enormous debt and deficits on the theory that there was always money that could be printed. We haven't extracted the taxes to do what we felt had to be done, and we have not run with anywhere near a balanced budget except one in the last—I don't know how many years.

You are right, of course, except that I don't think the Founding Fathers ever thought of Congress doing much more than defense

and perhaps planning the currency. Education, and so on, was for the States. We didn't have a Federal education program until the GI bill. All of these intentions are good; many programs have been good; but the point is to pay for them. There is where the problem has come.

Now we are trying to get an asbestos bill. We are going to put that, not on the government or the people of any State, but on the companies that manufacture and use it. So maybe the companies should have paid for black lung instead of the taxpayers of the country. That has been the attack that has been levied against earlier bills that tried to remedy the asbestos problem.

I don't know where we look now, but it seems to me we must examine administrative costs, which in my State run very heavy—I don't know how they are in your State. We had a State day care program costing $2,800 at the working level, when I was in the legislature, with administrative costs of $1,200 per child per year in Trenton. This was fantastic. It wasn't helping the children. This is the kind of thing that the flow of Federal money, I think, has encouraged and proliferated. Maybe if we return programs to the States, with some lightening of the taxes or with block grants, they will have more of a sense of responsibility. You don't think so? Maybe not.

Mr. WILLIAMS. Mr. Chairman, reclaiming the time of the gentleman from Michigan, if I may, let me tell the gentlewoman and the Secretary that private industry, private entrepreneurs have understood for a long time that you have to spend money sometimes to save money.

Let me give you an example in just one of the programs we are talking about. We believe every dollar spent on WIC saves $3 in medical costs, costs borne by the public. Alice Rivlin of CBO testified before the Congress that one-third of the working poor will quit their jobs as a result of the administration's budget proposals. We think that there is a great deal of penny wise and dollar foolish legislation that went on last year and is bring proposed again this year.

It is not going to save money. If we haven't found out anything, ma'am, in the past 12 months, we have found out that this administration's proposals in education and all the other areas are driving this Nation deeper and deeper into debt, driving people out of their jobs.

This President came to office wanting to get rid of fraud, waste, and abuse and get people to work again. The hard fact is that this President is going to oversee a country with more people on unemployment, the highest welfare caseload, more people on food stamps than any President in the history of the United States. Why? Because his goal is wrong. No. Because he doesn't know how to reach it.

Mrs. FENWICK. Neither did any other preceding administration or we wouldn't be in the pickle we are in.

Mr. WILLIAMS. That is not so.

Mrs. FENWICK. Preceding administrations tried to do it by pouring out money and piling up the debt. It didn't work. When Mr. Reagan took office, the responsible members of organizations devot-

ed to the poor told us that we were in a disastrous situation. Disastrous. After 40 years of such spending as no nation has ever seen.

Look, we must try to be more practical. I am not sold on anything. I am not an ideolog of any kind. I am only interested in what works. I cannot understand some of what I have seen of the administration of programs.

On the floor of the House of this Congress I begged to remove the distribution of food from the control of the Interstate Commerce Commission. Did I get it? No. What would that have done? It would have cut—as Mr. Shonefield, in President Carter's Justice Department in charge of antitrust—said, it would have cut the cost of distributing food 35 percent. It would have saved the poor something. Could I get it through the Congress? No. You know why and I know why. These are the things that are intolerable.

We speak of the poor and their needs. The time comes to do something. We chicken out before the pressures here.

Chairman PERKINS. Ms. Fiske, do you have another question?

Ms. FISKE. Yes, Mr. Chairman. I have about three or four questions on behalf of Mr. Goodling, if I may.

Two questions, Mr. Secretary, on the WIC program. First, if the WIC program becomes a part of an expanded State-administered and Federally-assisted maternal and child health block grant program, how can the nutritional and health progress of WIC clients be monitored on a uniform and nationwide basis?

Secretary BLOCK. I don't think that it is likely that they would be monitored on a national basis at that time. There may be some way to arrange it, but I think it would—the responsibility would be appropriately accepted by the States and they have concern for their people and they would be carrying the monitoring themselves.

Mrs. FENWICK. If they had standards they didn't meet, they would penalized?

Secretary BLOCK. It is not likely there would be any standards. The Nation is not meeting standards now in terms of WIC.

Ms. FISKE. Again, Mr. Secretary, on the WIC program, assuming that WIC is incorporated into the MCH block grant, a block which I understand sets no ceiling on administrative costs, how can we be assured that at least 80 percent of the so-called "WIC contribution" to this block continues to provide food and nutrition education benefits to WIC clients?

Secretary BLOCK. This would not be proscribed. We would be relying on the States.

Ms. FISKE. So we might find half and half or some variation on that theme?

I have one question on the nutrition education and training program. We have some indication, Mr. Secretary, that some of the smaller States are receiving a lesser amount of money for NET purposes than they had originally been told they would receive. There seems to be a certain amount of confusion as to how much they will receive and what the rationale is for any reductions you have in mind.

Could you comment on that?

## NUTRITION EDUCATION AND TRAINING PROGRAM [NET] APPORTIONMENT OF FISCAL YEAR 1982 FUNDS

| State | Public schools | Private schools | Nonresidential child-care institutes | Public residential child-care institutes | Private residential child-care institutes | Total |
|---|---|---|---|---|---|---|
| NEW ENGLAND: | | | | | | |
| Connecticut | 45,551 | 7,726 | 631 | 1,336 | 280 | 55,524 |
| Maine | 45,421 | 3,751 | 424 | 253 | 152 | 50,000 |
| Massachusetts | 87,585 | 12,216 | 1,179 | 848 | 962 | 102,790 |
| New Hampshire | 42,957 | 5,444 | 765 | 652 | 180 | 50,000 |
| Rhode Island | 40,828 | 8,167 | 543 | 286 | 177 | 50,000 |
| Vermont | 44,375 | 3,927 | 689 | 939 | 69 | 50,000 |
| New York | 246,072 | 52,774 | 4,351 | 1,828 | 100 | 305,125 |
| Mid-ATLANTIC: | | | | | | |
| Delaware | 38,857 | 8,677 | 1,345 | 1,028 | 93 | 50,000 |
| District of Columbia | 37,622 | 8,366 | 2,375 | 1,615 | 22 | 50,000 |
| Maryland | 64,339 | 9,456 | 1,153 | 210 | 230 | 75,388 |
| New Jersey | 106,795 | 20,036 | 1,891 | 731 | 686 | 130,139 |
| Pennsylvania | 163,645 | 36,573 | 1,610 | 1,125 | 63 | 203,016 |
| Puerto Rico | 61,100 | 8,100 | 0 | 162 | 0 | 69,362 |
| Virginia | 86,598 | 6,362 | 1,336 | 378 | 184 | 94,858 |
| Virgin Islands | 39,550 | 9,887 | 0 | 508 | 55 | 50,000 |
| West Virginia | 47,773 | 1,746 | 273 | 150 | 57 | 50,000 |
| SOUTHEAST: | | | | | | |
| Alabama | 65,029 | 5,666 | 2,336 | 124 | 60 | 73,216 |
| Florida | 129,441 | 17,682 | 4,201 | 329 | 1,009 | 152,661 |
| Georgia | 91,601 | 7,193 | 3,261 | 832 | 103 | 102,990 |
| Kentucky | 57,408 | 6,083 | 804 | 259 | 382 | 64,937 |
| Mississippi | 42,496 | 4,558 | 2,787 | 129 | 31 | 50,000 |
| North Carolina | 96,789 | 5,143 | 4,344 | 343 | 886 | 107,514 |
| South Carolina | 53,074 | 4,411 | 1,444 | 209 | 379 | 59,517 |
| Tennessee | 73,159 | 6,344 | 1,728 | 220 | 171 | 81,622 |
| MIDWEST: | | | | | | |
| Illinois | 170,002 | 31,026 | 3,518 | 3,237 | 541 | 208,323 |
| Indiana | 90,474 | 9,056 | 1,163 | 486 | 218 | 101,397 |
| Michigan | 159,713 | 18,577 | 1,722 | 1,026 | 155 | 181,192 |
| Minnesota | 64,645 | 7,877 | 690 | 46 | 175 | 73,433 |
| Ohio | 167,766 | 23,470 | 2,371 | 1,284 | 305 | 195,197 |
| Wisconsin | 71,160 | 14,661 | 788 | 250 | 65 | 86,924 |
| SOUTHWEST: | | | | | | |
| Arkansas | 46,274 | 2,238 | 1,183 | 253 | 52 | 50,000 |
| Louisiana | 66,644 | 13,653 | 1,389 | 443 | 62 | 82,192 |
| New Mexico | 45,566 | 3,144 | 1,113 | 146 | 32 | 50,000 |
| Oklahoma | 49,523 | 1,425 | 1,903 | 223 | 141 | 53,215 |
| Texas | 248,564 | 13,137 | 8,575 | 1,045 | 879 | 272,200 |
| MOUNTAIN PLAINS: | | | | | | |
| Colorado | 46,801 | 3,173 | 969 | 301 | 156 | 51,399 |
| Iowa | 45,757 | 5,236 | 579 | 116 | 177 | 51,866 |
| Kansas | 45,799 | 3,573 | 301 | 239 | 89 | 50,000 |
| Missouri | 72,395 | 11,218 | 1,460 | 325 | 67 | 85,464 |
| Montana | 46,402 | 2,914 | 520 | 163 | 0 | 50,000 |
| Nebraska | 43,186 | 6,005 | 671 | 103 | 35 | 50,000 |
| North Dakota | 45,083 | 4,284 | 380 | 185 | 67 | 50,000 |
| South Dakota | 44,756 | 4,457 | 349 | 245 | 192 | 50,000 |
| Utah | 48,451 | 839 | 480 | 216 | 13 | 50,000 |
| Wyoming | 46,938 | 1,884 | 610 | 551 | 16 | 50,000 |
| WESTERN: | | | | | | |
| Alaska | 45,635 | 2,202 | 532 | 1,418 | 213 | 50,000 |
| American Samoa | 42,061 | 7,939 | 0 | 0 | 0 | 50,000 |
| Arizona | 45,370 | 3,324 | 1,069 | 120 | 116 | 50,000 |
| California | 353,998 | 41,479 | 9,752 | 672 | 1,102 | 407,002 |
| Guam | 41,293 | 7,971 | 0 | 736 | 0 | 50,000 |
| Hawaii | 39,488 | 8,293 | 2,060 | 130 | 28 | 50,000 |
| Idaho | 47,878 | 1,458 | 520 | 129 | 15 | 50,000 |
| Nevada | 46,521 | 1,888 | 1,314 | 232 | 45 | 50,000 |

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NUTRITION EDUCATION AND TRAINING PROGRAM [NET] APPORTIONMENT OF FISCAL YEAR 1982 FUNDS—Continued

| State | Public schools | Private schools | Nonresidential child-care institutes | Public residential child-care institutes | Private residential child-care institutes | Total |
|---|---|---|---|---|---|---|
| Oregon | 45,800 | 2,628 | 938 | 554 | 79 | 50,000 |
| Trust Territory | 43,336 | 6,664 | 0 | 0 | 0 | 50,000 |
| Washington | 64,937 | 4,950 | 1,246 | 192 | 212 | 71,537 |
| CNMI | 43,691 | 6,309 | 0 | 0 | 0 | 50,000 |
| TOTAL | 4,333,979 | 537,239 | 87,634 | 29,564 | 11,583 | 5,000,000 |

Mr. DICKEY. I would be happy to comment on that. The final decisions on that have not been made. The basic issue is that the law required a $75,000 minimum when it was initially funded at a level, I believe, of 50 cents per child. That would be $26 million. Since the program is no longer funded at that level, we are working with the General Counsel to have a determination and a decision made on whether or not we must continue the $75,000 minimum, because if we do, that obviously would hamper some of the larger States because they would not get their share.

Ms. FISKE. I understand. We don't want to be confronted with a situation where you are giving some of the States a pittance and the money serves no legitimate purpose. You can't do anything with pennies. I think that is our concern.

Mr. DICKEY. I understand that. We have that concern in focus. We want to get some balance between those small and large States and that is what we are attempting to do. No final decision has been made.

Ms. FISKE. I have one final question, Mr. Secretary: It has to do with the report of the Food and Nutrition Service Task Force on Fraud, Waste, and Abuse. I think you will recall that that report was issued in draft form at least last October, and it suggested that—and I am quoting—"The total amount of waste, errors, and abuse, based on available data in all FNS programs, amounts to approximately $1.3 billion a year. This, $1 out of every $10 spent by the agency is used improperly."

The final conclusion of the task force was, "It was apparent to the task force members that individuals have strong attitudes about fraud, waste errors, and abuse. Some, usually investigative-type personnel, believe that FNS program abuses are 'extensive.' On the other hand, others, usually program administrators, believe the abuses are 'minimal.' Therefore, until the attitudinal problems are overcome, constructive action is going to be either difficult or impossible."

My question to you, sir, is this: Given the fact that the President has assigned a high priority to the elimination of fraud, waste, and abuse in all federally assisted activities with a heavy reliance on Office of Inspector General personnel, what are you, sir, doing to resolve the attitudinal impasse that apparently exists between your Office of the Inspector General and the Food and Nutrition Service?

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Secretary BLOCK. Initially in response to that report, that is just one report among many different reports that we are reviewing and looking at to come to favorable grips with fraud, waste, and abuse. I don't have the figures before me, but the record of the effectiveness of our Inspector General into fraud, waste, and abuse efforts in this past year have really been exceptional.

I wish I had them to read into the record at this time, because I think they have done a tremendous job in correcting some shortcomings that have been neglected in the past.

Do you have anything for that one, Mary?

Ms. JARRATT. I think there were a number of versions of that report. It was prematurely released. I saw as many as three or four versions of that report myself. So it is hard to tell which one you are really quoting from.

Ms. FISKE. I am quoting from the October draft that I have.

Ms. JARRATT. As far as attitudinal problems on the part of administrators of the programs, I think the Secretary's remarks indicate his commitment to alleviate fraud and abuse, and I am sure he wouldn't have staff with him if he weren't assured of their commitment also. There isn't any disagreement with the Department or among agencies as to the objective of eliminating fraud and abuse or correcting it. I think our proposals and actions reflect it.

Chairman PERKINS. Thank you very much, Mr. Secretary, for your appearance up here today. We appreciate your coming.

Secretary BLOCK. Thank you, Mr. Chairman.

Chairman PERKINS. The committee will adjourn subject to the call of the Chair.

[Whereupon, at 3:55 p.m., the committee was adjourned, to reconvene subject to the call of the Chair.]

94-672 O—82——13

# OVERSIGHT HEARINGS ON 1983 BUDGET REQUEST

THURSDAY, MARCH 11, 1982

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EDUCATION AND LABOR,
*Washington, D.C.*

The committee met, pursuant to notice, at 9:20 a.m. in room 2175, Rayburn House Office Building, Hon. Carl D. Perkins (chairman of the committee) presiding.

Members present: Representatives Perkins, Hawkins, Biaggi, Andrews, Simon, Miller, Weiss, Corrada, Kildee, Washington, Eckert, Erdahl, Petri, Fenwick, and Johnston.

Staff present: Donald M. Baker, chief clerk and associate counsel; H. D. Reed, Jr., general counsel; Clark Rechtin, counsel; Susan Grayson, staff director; Edith C. Baum, minority counsel for labor; Electra Beahler, minority counsel for education; Mary Jane Fiske, minority senior legislative associate; Peter Morgret, minority legislative associate; and Beth Beuhlmann, minority legislative assistant.

Chairman PERKINS. The committee will come to order.

This morning the Education and Labor Committee is conducting the last hearing where we have had Cabinet officials before the Committee on Education and Labor.

We are delighted this morning to welcome the Secretary of Labor, Mr. Donovan. Mr. Donovan has been in the Department now somewhat over a year.

We have heard from many Labor Secretaries in the past since I have been here. We have had a lot of unemployment problems in the past. We still have unemployment problems.

Mr. Secretary, I am delighted to welcome you here on this occasion. I am sure the other members of the House Committee on Education and Labor join with me in welcoming you here. Go ahead with your statement.

## STATEMENT OF RAYMOND J. DONOVAN, SECRETARY, U.S. DEPARTMENT OF LABOR, ACCOMPANIED BY ALFRED M. ZUCK, ASSISTANT SECRETARY FOR ADMINISTRATION AND MANAGEMENT; AND JANET NORWOOD, COMMISSIONER, BUREAU OF LABOR STATISTICS

Secretary DONOVAN. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, I am happy to appear before you today to discuss the President's proposals for the Department of Labor's fiscal 1983 budget.

Before discussing the details of the budget, I would like to address the overall framework within which this budget was developed. That framework includes the following principles.

First, this budget assumes the passage of certain changes in entitlement programs administered by the Department as a part of the President's overall goal of reforming non-social security entitlements.

The changes we propose will address inequities in certain benefits now provided and will eliminate certain work disincentives now inherent in the programs under discussion.

The vast majority of the Department's entitlement programs, including basic unemployment insurance benefits and black lung, are provided for in this budget at levels consistent with current economic and actuarial estimates, and consistent with legislative changes provided by the Congress in the past session.

Second, this budget reflects funding resources for employment and training programs to be delivered under a legislative framework that will replace the current CETA authority.

Its basic outlines are the concepts of grants to States for employment and training services, the provision of a limited national level program for certain labor market groups, and the continuation of the Job Corps as a separate program.

Third, the Department will continue to carry out its varied legislative responsibilities for protection of American workers.

We are asking for additional resources to carry out our important enforcement efforts where needed. At the same time, however, we are reviewing our various enforcement efforts to insure that they are effective in terms of targeting the worse cases, and are not unnecessarily burdensome on the workplace in terms of paperwork or regulatory requirements.

We are also organizing our enforcement resources in ways that will enable them to be most productive, and to better carry out the mandates of the statutes under which they operate.

The President's total request for the Department's fiscal 1983 budget totals $26.4 billion in budget authority and $26.7 billion in outlays.

Entitlement programs, whose expenditures are mandated by law, account for $21.2 billion of the total outlay figure. The remaining $5.5 billion in outlays, for controllable programs, includes $2.2 billion for the employment and training assistance appropriation, and $2.3 billion for State administration of unemployment insurance and employment services programs.

The remaining $1 billion is for salaries and expenses costs of the Department's Federal personnel.

In the entitlement programs area, the Congress has already passed a supplemental appropriation for 1982, totaling $2.3 billion for additional advances which are needed for the unemployment trust fund—for paying unemployment benefits—and for additional funds required for State agency operations in processing unemployment benefit applications and the operation of the Employment Service.

The President signed this supplemental on February 22, 1982.

For 1983, total unemployment benefits to be paid from the unemployment trust fund are estimated at $20.8 billion. Of this amount, $4.5 billion will be provided by advances from general funds.

The total 1983 request for the black lung disability trust fund is $674 million, of which $62 million will be funded by advances from the general fund.

This black lung request reflects the legislation enacted last December amending the Black Lung Benefits Act.

In the Federal unemployment benefits and allowances appropriation, FUBA, the administration's request is $35 million. This reflects savings anticipated from passage of three legislative proposals, which the administration has either sent to Congress very recently or will forward to the Congress shortly.

These proposals include legislation to eliminate the additional trade adjustment assistance benefit provided over and above regular unemployment benefits, to those persons whose unemployment has been determined to be related to the adverse affects of imports.

Training and employment services to these persons will be continued.

This proposal is in line with the President's goal of removing the inequities in cash payments to individuals in similar situations, and eliminating the disincentives to seeking new employment that are inherent in lengthy receipt of supplemental benefits.

The administration also will be proposing to limit Redwood benefits to only those persons who lost their jobs as a direct result of the expansion of the Redwood National Park on or before December 31, 1978.

Again, this in an effort to limit excess benefits and to eliminate disincentives to the seeking of new employment.

Finally, the administration has proposed changes to the unemployment program for ex-service members that will limit unemployment benefits only to those service members involuntarily discharged due to demobilization, reduction in force, or disability incurred while in service.

The budget contains a request for $336 million for the Federal Employees Compensation Act (FECA) benefits which are paid to disabled Federal employees. This amount assumes $58 million in savings related to the passage of certain amendments to the FECA legislation, which the administration will be proposing shortly.

The administration's new proposals will closely follow those proposals for FECA reform considered in the last session of Congress, which seek to eliminate current disincentives to return to gainful work, and also to reduce the potential for abuse of the Federal disability compensation system.

The budget contains $2.345 billion in funding for State administration of unemployment insurance and employment services in 1983. These funding amounts include a fiscal year 1983 budget amendment for the Employment Service of $284 million.

In the employment and training programs area, the budget request is for $2.4 billion in new budget authority. Of this amount, $1.8 billion is for a new program of grants to States for operation of employment training programs under new legislation submitted to the Congress on March 9.

Of that amount, $387 million is for the Job Corps program, which will be continued under the new legislation as a separate program.

The remaining $200 million in the employment and training request will be for operation of a nationally administered program to serve groups who have particular disadvantages in the labor market.

Finally, in the area of Federal staffing for the Department, we are proposing salaries and expenses budgets which, in total, reduce the overall level of employment in the Department.

However, in certain key areas, we are seeking staffing increases. In the Labor-Management Services Administration, we are seeking additional funds for 150 new positions in the labor-management standards enforcement area.

These additional personnel will provide us with enhanced capacity to perform proper enforcement of our Landrum-Griffin Act responsibilities.

We are also seeking funds for an additional 52 positions in the Office of Inspector General in order to have resources to complete all mandated CETA audits and to perform needed investigations activity.

In the Mine Safety and Health Administration, the President will submit a budget amendment for 1983 for $15 million to provide added coal mine inspection staff to bring the coal enforcement work force to 1979 levels.

In the Occupational Safety and Health Administration, we are seeking an increase of funds for operation of State onsite consultation programs. This increase is in line with our policy of helping business comply with basic safety and health standards.

In summary, I believe that we have a responsible budget request for 1983 that allows us to carry out our basic mandates, but which also complies with the President's goals of general reduction in the rate of growth of Federal spending and reduction in the size of the Federal work force.

I will be happy to answer any questions you have.

I have today with me on my left Assistant Secretary for Administration, Al Zuck. I am sure he needs no introduction. On my right is Commissioner Janet Norwood of the Bureau of Labor Statistics. Thank you.

Chairman PERKINS. Thank you very much, Mr. Secretary.

I understand that Mr. Biaggi has to leave for another committee meeting. I told Mr. Biaggi to go ahead and ask you a question at this time.

Mr. BIAGGI. Thank you, Mr. Chairman, for your indulgence.

I would like to take this occasion to welcome the Secretary. This is the first time we have done it officially. He and I have a friendly relationship of some standing.

I have one question, Mr. Chairman.

With relation to the 60,000 elderly workers under title V, these people range from 55 years to 75 years of age. They have been told that the program is going to be defunded this fall and it will be incorporated in the Job Training Act at a level of some $200 million.

That $200 million is expected to provide jobs and training for seven or eight categories of workers. Currently, the elderly workers title V program is being funded to the tune of some $277 million.

I am just curious as to why that is so. Why was title V blocked in? Can we expect some consideration with relation to separating it, keeping it a categorical grant, and to have the funding at its present level or thereabouts?

I know you are confronted with administration guidelines that hamper you. But this clearly is a situation that requires special consideration.

If it is given special consideration, it will be more in keeping with the statements made by the President that the elderly and the needy have a safety net.

Secretary DONOVAN. I share your concern for the older Americans in general and specifically since it will not be long before I will be counted among them.

Our original intention was to incorporate all training for older Americans in a block grant, including title V of the Older Americans Act. However, as you are aware, a decision was made to eliminate all stipend activities from the new training programs. This decision generated the need on our part to rethink how we are going to serve the older Americans.

Title V does have some training features, but primarily, as you know, it is largely an income support mechanism for our older Americans at the poverty level.

Therefore, I believe it is necessary for us to reconsider the options that would provide pure training out of the block grant and to consider providing some funding for income support activities in a program that is similar to title V, if not title V itself.

I give you my word that we will do our best to bring this funding—to use your words—at or as near as possible to the current program level of $270 million.

We recognize that as a safety net commitment. We will just have to find the money within the budget that we will be discussing today.

Mr. BIAGGI. If I understood you correctly—and I hope I did because it would be encouraging—with relation to funding—and I am sure you will try your very best—but with relation to the block grant aspect of it, what you are saying is this.

If you do not deal with it as title V, you will separate it from the present proposal and the other groups?

Secretary DONOVAN. Yes, and we would like your input in that. There is a possibility of providing wording, specifically addressing the older Americans in the block grant with a specific amount of money.

We hesitate to complicate the stipend situation. That is what we are struggling with now.

Mr. BIAGGI. We would be glad to cooperate with you, Mr. Secretary, and the members of your Department. They have been most cooperative to date. We expect no change in that relationship.

I want to thank you very much.

Secretary DONOVAN. Thank you.

Chairman PERKINS. I would like to ask you this.

When you say that the unemployment insurance and black lung programs are provided for in the budget at levels consistent with current economics and acturial estimates, and consistent with legislative changes provided in the past year, do I understand you to say that there will be no legislative changes proposed in these programs this year?

Secretary DONOVAN. Are you speaking now of extended benefits, Mr. Chairman?

Chairman PERKINS. Yes, in your language in your statement.

Secretary DONOVAN. We believe that if our economic projections are accurate, the funds reflected in the budget are sufficient to carry us through this recession, until the economy is revived and unemployment begins to drop.

We have estimated a higher level of unemployment and a longer recovery than we did last year. We do believe the budget is adequate to meet these new assumptions.

But if the situation changes, we will obviously have to review it. If the economic model proves not to be accurate, we will have to review it as to the needs of our people, our unemployed, and as to the budget implications of it. If it proves necessary, we will be backup for a supplemental.

Chairman PERKINS. Backup for the supplemental?

That is what I understood. If it proved necessary, then you would be backup for the supplemental.

Secretary DONOVAN. That is correct.

Chairman PERKINS. Now, the Job Corps, for instance, to my way of thinking, has been one of the greatest programs that we have ever enacted insofar as disadvantaged youngsters are concerned in the country.

If I understood your testimony correctly, if we cut the Job Corps down to the figure that the President has suggested to $400 million, how many slots and how many Job Corps centers would we close down in the United States?

I am very much concerned because of the high rate of unemployment among teenage youths, even in the black ghettos and especially in the rural areas of America, we have an awfully high rate of unemployment.

I am just wondering if there would be any way for us that the administration could go along with an increased figure there, insofar as the Job Corps is concerned, because of the teenage unemployment among the disadvantaged youngsters of the country?

Secretary DONOVAN. Mr. Chairman, I recognize your keen interest in the Job Corps. I share it. I think it is one of our successes, generally speaking, and certainly a success relative to other CETA programs.

I personally was very proud to attend the national awards dinner for the Jobs Corps. It is not very pleasant to cut the Job Corps budget, but I must say that in our view it, as every other program, must share in the budget cuts.

In answer to your question, I have read and heard that we are to cut 30 Job Corps centers. That has not been decided or established. I know you hear this from other Secretaries, but in the case of the Job Corps, I am convinced that we can reduce the $13,000 or $14,000 average annual slot cost—and by the way, that is cheap

over the long run, in my view—I think you might agree there can be some efficiencies in that area.

From the Job Corps directors that I have talked with, it is conceivable that we could get that level down, hopefully to $11,000 which would give us additional moneys to keep some of these centers open.

In all honesty, I have to tell you that there are some Job Corps centers that should be closed because of performance.

The annual slot level that you spoke of, at the present budget request, would drop from 38,000 to 22,000 slots.

Chairman PERKINS. Thank you. Mrs. Fenwick?

Mrs. FENWICK. Thank you, Mr. Chairman.

Good morning, Mr. Secretary.

I am happy to see that we are going to have more mine safety inspectors. We have had so many tragic accidents, continuing year after year, in the mines.

I don't think we would stand for this in any other occupation. We would not stand for it. Year after year people are killed in the process of trying to earn a living.

I hope that every inspector will get out into the field and not stay in offices reading things. They should see what the miner is up against.

My second point, Mr. Secretary, is OSHA. I am very much concerned and I would like to ask you this.

What I hope for OSHA is that any worker, any employer, anybody in that field, will have the right to invite OSHA to come in and look at something that may be worrying them.

When they come on an invited visit, shall not fine—no matter what they find. In other words, they are invited in and they say:

"That machine that you questioned me about is perfectly okay. But over there is something that if it is not cleared up in 3 weeks, will bring you a heavy fine."

We must work with human nature. Everybody is going to avoid OSHA if everytime OSHA appears there is going to be a fine.

But on the other hand a worker or an employer who wants to be sure that no one is going to get hurt, should be able to call. We must be on the good side of human nature.

Is there such a policy, Mr. Secretary?

Secretary DONOVAN. Mrs. Fenwick, in the mine safety area, I am also pleased that we have the inspectors at the 1979 level.

But I must tell you also that inspection—and this is quite obvious—is only one of the tools used to keep mines safe. With regard to these terrible disasters that we have been going through, from what I am told by my people, all the inspections in the world would not have prevented one of those deaths.

It is the same parallel you used in OSHA. There must be better and stronger cooperation between management and labor in all of these areas.

To answer your specific point on OSHA, and it is well taken, we are encouraging programs exactly as you suggest. That is, that we have consultative arrangements either invited by industry or labor with no threat of citation.

The cop mentality—if I can use that expression—has to be tempered greatly, in my view. We need a spirit of cooperation.

Some would say: "Oh, are you saying you have total faith in management?"

I just have total faith in humanity if they are approached in a humane way and we show them clearly that we have the expertise to assist them in areas where they are going wrong.

Mrs. FENWICK. It helps, of course, to have a little "or else."

Secretary DONOVAN. Yes, and the "or else" is there. With the inspectors that we have, it is a physical impossibility to police 5 million workplaces.

Mrs. FENWICK. Would you have enough if they were called in? Would you have enough to respond to calls?

Secretary DONOVAN. Oh, yes.

One of the programs we have is to target in on the abuser, on the particular industry where the rates of death and accident and health problems are high.

Frankly, we will get off the back of those industries and those particular plants who have good programs and good safety records.

Mrs. FENWICK. A very small business in my district wrote me:

"I am desperate. I am getting a $600 fine. My fire extinguishers are 4 inches too low."

I telephoned him at once and I said:

"Do not pay a dime. Tell them you hired a short, strong man on purpose. I will take care of it down here." [Laughter.]

Mrs. FENWICK. You have to have some common sense in this.

I do think it is wise, of course, to send where you know the accidents and dangers are in industry. But we must have a way so any worker or any employer can call somebody in and get an answer.

I had a case in my district where there were fumes. Luckily one of the workers got in touch with me and I got in touch with Dr. Eula Bingham.

We had inspectors there within 2 days. That is the way it has to be.

I have one more qustion, Mr. Chairman.

This question deals with unemployment compensation. It seems to me absolutely imperative now, with jobs as short as they are, that this should work properly.

I was visiting a company recently, in a small town in my State. The company needed workers. Some of their workers had been laid off and had properly gotten unemployment.

The company wanted them back. But unemployment does not—or the employment services do not—cooperate with CETA. They could not get their people back because they preferred to have unemployment.

I am afraid if we are not careful and, if we do not make some regulations concerning unemployment, we are going to build the same sort of trap that we have built in other areas.

A woman whose husband runs a barber shop came to see me. She was desperate because his best man simply quit. That best man went to Florida and the barber was charged a higher unemployment rate because the man said he had to be in Florida for his health. This was just before Christmas.

When we consider what we must do for those who are suffering from these terrible layoffs, which I feel as though everyone of them had happened to me, we are going to have to have some regula-

tions, Mr. Secretary, as to what the Federal Government is going to do.

I notice in your statement here there is $2.2 billion for State administration of unemployment insurance and $2.3 billion to help States out with unemployment insurance.

If the States are going to handle unemployment this way, we are going to be in trouble. If they are not concerned to put people back into the jobs they came from, if they just use unemployment like some kind of a holiday, we are going to be in trouble.

Is there any way we can set a standard for the kind of unemployment compensation and regulations that the State issues?

If they are absurd in some ways, the Federal Government simply should not go along with it.

Secretary DONOVAN. Mrs. Fenwick, you have put your finger on it.

It is a very difficult time to be talking about abuses in unemployment. But it is a fact. There are situations that come up daily at the Department.

I believe we are not as efficient at the State level in our work test program. We addressed it last year at the Congress. It is improving.

But as the volume increases, the chances for abuse increase also. But we are trying, as I said in my opening statement, not only in the unemployment area, but other areas, to decrease the disincentive to return to work.

I think any honest person has to believe that some of these programs have such disincentives that people will not return to work. This is what we are addressing.

Mrs. FENWICK. If CETA is not allowed to cooperate with the employment service, we are in trouble. Some of these people were being trained in these little factories, in little factories of 10 people or so.

I have visited them. There are perfectly nice working conditions. They are properly protected.

They came under CETA for training. Then they were laid off. But CETA cannot get them back under CETA. The employment service does not cooperate with CETA and cannot interchange names.

There is something wrong.

Thank you, and thank you, Mr. Chairman.

Chairman PERKINS. Mr. Hawkins?

Mr. HAWKINS. Thank you, Mr. Chairman.

Mr. Secretary, in your prepared statement, at least in three places related to programs, you indicated the purpose of eliminating disincentives.

In answering Mrs. Fenwick, you again referred to disincentives, at least two times and maybe three. It seems the thrust of your statement suggests that it is necessary to discourage people from staying unemployed or drawing unemployment insurance.

Let us assume that the millions who are seeking employment, who do not need any disincentive are intelligent reasonably qualified individuals and motivated, why cannot they find jobs? Why is it that we have to concentrate on trying to protect individuals or

insert programs to provide disincentives when good, honest American citizens cannot find jobs?

Factories are closing up and people are being laid off in automobile, steel, rubber, and innumerable other places at the current time. The unemployment rate is escalating out of sight.

The unemployment rate has gone up 1 full percentage point since we last had your testimony before this committee.

My question is this: Why are we not concerned about the millions unemployed and doing something specifically to put them to work without dismantling the programs?

Secretary DONOVAN. Well, we are not discouraging people from their absolute right to come onto unemployment. The purpose of the program, Mr. Hawkins, is temporary income replacement during times of unemployment.

I do say there are disincentives in the program which, in some instances, and it is difficult to determine specific numbers—tend to keep people on unemployment somewhat longer than may be necessary.

That is my simple point. What we are doing in the broadest sense and the only meaningful thing is to try to get the economy rolling again.

That is a total answer to unemployment. Other programs in my Department certainly can affect things at the margin. But they cannot and will never be able to attack the heart of the problem.

That is the overall purpose of the Reagan economic package. The effects of the President s program will, hopefully by this summer, start bringing the unemployment rate down.

I do not want you to misread me, nor to think that I am at all inferring in a hard-hearted manner that people should not go on the unemployment rolls. They should. That is what the program is for.

But I think honest men will have to say that with the plethora of benefits in certain areas, there are disincentives to seek work in a timely manner.

Mr. HAWKINS. Well, I might agree with you that there may be disincentives, but I am directing my question not at that at all. I do not think you have answered that.

I am speaking about those individuals who are not drawing unemployment insurance, who are not drawing any assistance at this time, but who are desperately looking for jobs and who need jobs now and not this summer and not the end of the year—even assuming that optimistic assumptions are made.

They are looking for jobs now. Factories are closing up. These individuals are walking the streets. If you advertise a job today, you will get at least 50 to 100 applicants for each job.

I think that is pretty evident that people will stand in line overnight looking for jobs and are desperately seeking them.

I am asking this. Why is it that the few programs that we do have that might alleviate that condition are being dismantled at a time when people are desperately looking for something to relieve them?

It seems to me that is pretty obvious. I think we might skirt the issue.

Secretary DONOVAN. No; I do not want to skirt it. I misinterpreted it.

Mr. HAWKINS. The issue is not what we plan to do at the end of the year or next year or whether or not Reaganomics will operate. The fact is that those policies are not operating now. They have not operated for more than a year.

Yet, we have dismantled CETA and various other programs that were doing a lot better than the current situation.

My question goes, I suppose, to basically this: Do you have any plan whatsoever to change this situation? That is what the people in my district ask me when I talk with them. What are we going to do? What is the administration going to suggest?

Secretary DONOVAN. I would say, Mr. Hawkins, that we are not dismantling CETA. We are taking an historic opportunity, as I see it, to rewrite it, and to learn from the errors of the past of what works and what does not.

What we can offer the person that you described who is not available for unemployment and can find work, is training so that he has a marketable skill when the economy turns up.

If I can interpret your question to mean that portion of CETA that provided public sector employment—if you were suggesting it as one method to be used in these times, we are absolutely against public sector employment. We have made that clear.

It is a countercyclical program, as you are aware. I think it was ineffective. It was certainly an income transfer. There is no question about that.

I believe if CETA has a bad name, and it does in very many parts of this country, if not all over, the public sector portion of CETA is most to blame. I think that is where the abuses were.

Mr. HAWKINS. I am not suggesting public service employment. I am suggesting employment in the private sector. That is what I am suggesting.

In spite of what you say, that the administration does not like public service employment, it is true that you have taken the WIN program where individuals were transferred from the welfare rolls, being subsidized, and you have concocted a new phrase to provide public sector work assignments to offset welfare benefits.

This is public sector employment that you are actually recommending be placed in place of the WIN program.

Why is it that in one way you oppose public sector jobs and I would say that is not the issue because I would go along with you if you provide other jobs for these individuals, and you are going to replace the WIN program with what you call public sector work assignments? This is just giving a new name to it.

In answer to the chairman, you spoke about the Job Corps. This is going on to another subject.

I recall a few months ago we were on the same program and we were talking with individuals; that is, some of the sponsors of Job Corps programs.

At that time preceding you, I said then, that the administration's program was to reduce that program by 25 percent and before the end of this year—1983—they would cut it by 50 percent.

And those that supported the Job Corps could expect, in the third year, the elimination of the program.

Unfortunately, you have done the 25 percent that I stated at that time. Now you have done the 50 percent. You reduced the program from 40,000—according to your own figures submitted by the Department of Labor—to an enrollment of 22,000, which is very close to 50 percent already.

You are well on the way to elimination of the program. How can you justify what you, yourself, just a few minutes ago said was a very successful program and that the Department of Labor says returns at least $1.40 for every $1 expended? It is not a wasteful program.

It certainly is not adding to the budget deficit and it is putting people to work in unsubsidized employment where we eliminate completely any public service issue from that.

How can you justify that type of reduction in a program of this nature at a time when unemployment rates among the youth of the Nation are at astronomical disastrous rates?

I cannot see the rationale for that. I would like for you to try to explain to this committee.

Secretary DONOVAN. It can only be justified on the basis of the budget deficits that this Nation faces.

Mr. HAWKINS. Would you explain how it contributes to the budget deficit if we are getting back $1.40 for every $1 expended? How can that, in economic terms, be said to contribute to the deficit?

Secretary DONOVAN. In fact, there are some figures that indicate that may be as high as $1.60, but that is over a very long period of time.

However, the Job Corps has an immediate effect on the 1983 budget, Mr. Hawkins. The return is eventually there; yes, but it does have an effect on the budget.

I have testified before and you have heard me publicly say that the Job Corps is a success. Relatively speaking, it is one of our better programs. I also concluded by saying that if you save youth, you save all.

I can only say that this program is taking cuts in its budget just as other programs are taking them. I know the youth unemployment situation is not short-term. The Congress called the minority unemployment 7 years ago when it was at 28 percent a national disaster.

It is now 45 percent, by best figures, after having spent billions and billions of dollars in this area. The Job Corps will continue as a program and, I hope, as the economy improves, we can restore these cuts.

Even though it is the most expensive program we have, costing between $13,000 and $14,000 per client, it is money well spent overall.

So, the Job Corps cut is being done strictly for budgetary reasons and it represents a very difficult decision.

Mr. HAWKINS. Well, Mr. Secretary, I do not want to be completely negative. We do have pending in this committee a job proposal that we believe offers a good alternative to the President's proposal.

We think you have a copy of it. We would be very pleased to work with you on advancing it and to help reach those who are suffering from this terrible situation that we face today collectively.

I think that rather than just take a negative attitude as to what we can do, we can make it cost effective and we can do something specifically.

But I think we have to move in that direction. I think the administration has got to move closer to some of us. The situation is not very good out there.

I just do not think the administration is sensitive to human needs. I think we are just ignoring it and I think, as a result of it, we are getting into unsound economic policies that are creating the situation and not alleviating it, at least on the proposals we have in the employment and training field.

We would like to work with you. We certainly offer our full cooperation in doing so.

Secretary DONOVAN. I appreciate that, Mr. Hawkins. But I must comment that I do not accept the characterization that this administration, or I, am insensitive.

Chairman PERKINS. Mr. Simon?

Mr. SIMON. Thank you, Mr. Chairman.

Chairman PERKINS. I apologize, Mr. Secretary. I have another very important meeting this morning with some people from New Zealand.

I understand you will be back on Monday; is that correct?

Secretary DONOVAN. Yes, I will be back on Monday on CETA.

Mr. HAWKINS [acting chairman]. I understand the Secretary is appearing before a joint hearing next week. Is that a factual situation?

Secretary DONOVAN. Yes, Mr. Chairman.

Mr. HAWKINS. That will be on the Senate side, as I understand it.

Secretary DONOVAN. I am not sure.

Mr. HAWKINS. Mr. Simon?

Mr. SIMON. Thank you, Mr. Chairman.

Mr. Secretary, I come from a coal mining territory. I regret I was not here for your full statement, but I was here for some dialog with Mrs. Fenwick.

I am concerned that your staff provide you with accurate information instead of glossing over the realities. I am convinced that there is a relationship between the decrease in inspectors and inspections and the numbers of fatalities. I am sure there is no question in the minds of coal miners in this country that this relationship exists.

Let me just point out a couple of statistics. Last year there were more deaths in the coal mines than any year since 1975. This is not simply linked to 1 year. But if you look at the decline in numbers of inspectors over time, the number of deaths was increasing.

This year—1982—so far we have had 26 mine fatalities compared with 15 during the same period last year.

I think we are living in a dreamworld if we do not think there is a relationship between these deaths and the decrease in mine inspections. Followup inspections are down 69 percent in 1981 compared with 1980.

I simply would urge you, Mr. Secretary, to increase the appropriation. I am aware you are calling for an increase, but it is still below where we were before.

Unless these figures are deceptive, I do not believe that we will see fatalities and injuries in the coal mines decreasing to the extent that they should be.

I would be interested in your comments.

Secretary DONOVAN. Congress, I would say first that I do not only get my information from my staff. I have met with the Mine Workers Union and Sam Church.

The inspection levels will be brought up to the 1979 level. But on your more basic and really tragic point about the relationship between inspectors and either mine deaths or injury, obviously there is a connection, generally speaking.

But I would be happy to share with you at your convenience the files and the inspection reports, both done by the States and by MSHA on the tragedies that have recently taken place.

I think you will be convinced that in at least these instances, mine inspections were not a factor. That does not say that mine inspection is not key to keeping accidents down.

But it is only one of the areas that will prevent these tragedies. As in OSHA, prevention also involves cooperation between the mine operators and the miners. It is critical. There could be a disaster an hour after an inspection. That has happened in the past.

But I would be happy to share with you the files that I have.

Mr. SIMON. I would be very interested in seeing that.

Let me just say that I think you will find, very understandably, that your inspectors are going to tell you and show you on paper that the deaths had no relationship to the inspections or lack of inspections.

I am concerned, frankly, with not only the numbers that are indicated here, but that the mine inspectors receive from you—a signal that tough inspections are the policy of this administration.

But there are a lot of coal mine inspectors out there—and I have talked with them—who are not sure whether they really ought to be tough and firm.

I am not for Mickey Mouse stuff and neither are the coal miners. But a very practical example in my district is this.

We had a coal mine inspector who quit being an inspector and went back to being a coal miner because he said he did not want to be responsible for what might happen.

There is concern out there. I just think it is very important that in every possible way you give a strong signal. I gather from your testimony here that it is certainly your intent.

Secretary DONOVAN. It is, and if any inspector tells you that he is not sure of what that signal is, I would like to know his name.

Mr. SIMON. I am not sure I want to give you names.

Secretary DONOVAN. He will not be in the Department if that is his attitude.

Mr. SIMON. Let me just say they are out there. I have talked with them. This is not something I am making up here right now.

Secretary DONOVAN. I am sure you are telling me the facts. They would tell me otherwise.

But I can assure you our commitment in the area of MSHA and OSHA is a sincere one. In MSHA we are reorganizing to try to put in the hands of the district managers more tools and to get people away from desks and into the mines themselves.

I think it is a revolutionary thing. It is being studied now at the Department and in consultation with the United Mine Workers and the operators.

Mr. SIMON. Incidentally, I commend you for that. I believe that we do not need a confrontational approach. We need much greater cooperation, both between labor and management and between Government and all sectors.

To the extent you are promoting that, I commend you and if there is any way that I or others can be of help, let me know.

Secretary DONOVAN. Thank you, Congressman.

Mr. SIMON. Thank you, Mr. Chairman.

Mr. HAWKINS. Mr. Petri?

Mr. PETRI. Thank you, Mr. Chairman.

I would like to apologize for several of my colleagues on this side of the committee who wish to be here this morning to ask questions but who are unable to do so.

I would ask if, as a courtesy to them, I might have some questions placed in the record and perhaps a written response from the Secretary.

Mr. HAWKINS. Without objection, so ordered.

[Information referred to above follows:]

CETA DEFERRAL

Mr. PETRI. In the DOL budget there is a deferral of $88.5 million from employment and training assistance. Of this amount $41.4 million is to be used for salaries and expenses. To what have you designated the remaining $47 million of deferral monies?

Secretary DONOVAN. We are proposing that the $47 million be deferred until we can determine if there is compelling operational or programmatic need for these funds. If there is no such need for these funds, they will be proposed for rescission later.

Mr. PETRI. The allocations to prime sponsors under the first and second continuing resolution provided a minimum funding level of $200,000 for youth programs. With the 4 percent reduction in the third continuing resolution a new minimum of $150,000 was established. For some prime sponsors a reduction of 25 percent was felt in their youth programs. Is there a way that a portion of that deferral can be reprogrammed so that the $200,000 floor for your programs might be restored?

Secretary DONOVAN. Yes, it is possible although we do not feel it is necessary at this time.

Mr. PETRI. Do you have an estimate of the cost of doing this? (We have heard that it would be around $16 million)

Secretary DONOVAN. We estimate that it would cost an additional $11.4 million to provide a minimum of $200,000 or last year's level (for YCCIP and YETP) whichever is lower. This additional need for $11.4 million was determined by calculating the difference between $21.7 million necessary to support the $200,000 minimum and $10.3 million needed to support the minimum level of $150,000.

FECA SAVINGS

Question. Please verify the anticipated savings for fiscal year 1983 through 1987 allocatable to "special benefits" and to offsetting collections from federal agencies (chargeback). Is it correct that the Department's estimate of $58 million saved for fiscal year 1983 applies only to the "special benefits" portion of the FECA budget.

Answer. The estimate of a $58 million dollar savings in fiscal year 1983 applies only to the "Special Benefits" (directly appropriated) portion of the FECA budget. The total savings to the Federal government in fiscal year 1983 are estimated to be $116 million (as shown in the table below). There is a lag of approximately 1½ years

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between an agency's expense period (when OWCP actually paid the benefit costs from the special benefits fund) and the chargeback billing and subsequent reimbursement to OWCP for the benefit costs. Thus, any savings in benefit costs the first year will only be reflected as a savings to the special benefits portion of the FEC budget (i.e., a reduction in direct apppropriations).

Reduction in agency chargeback costs will begin to be seen the second year, and will level-out there after as chargeback billing fully reflects the reduced benefit payout of the earlier expense period. As the chargeback reimbursements decrease, there will be a corresponding decrease in the special benefits fund savings. The greatest reduction in the need for direct appropriation to the special benefits fund occurs the first year of legislative implementation.

[In millions of dollars]

| | Fiscal year— | | | | |
|---|---|---|---|---|---|
| | 1983 | 1984 | 1985 | 1986 | 1987 |
| Current law obligations | 1,156 | 1,307 | 1,476 | 1,670 | 1,890 |
| Revised obligations (legislative change) | 1,098 | 1,242 | 1,445 | 1,635 | 1,851 |
| Change | −58 | −65 | −31 | −35 | −39 |
| Reduction in chargeback (plus means smaller billing) | 0 | +19 | +9 | +11 | +12 |
| Special benefits savings (reduction in direct appropriation) | −58 | −46 | −22 | −24 | −27 |
| Other on-budget agency savings | −38 | −80 | −104 | −112 | −119 |
| Other off-budget agency savings | −20 | −41 | −54 | −57 | −61 |
| Total savings | −116 | −167 | −180 | −193 | −207 |

### Impact of RIF's on FECA Claims Processing

*Question.* Your FECA proposal this year I understand will call for elimination of the 45-day continuation of pay provision.

What impact have Department RIFs and other personnel actions as a result of RIFs had on OWCP's ability to process claims timely? In other words, given these personnel actions are you still as confident that FECA claims can be processed timely, so that the absence of COP will not impair a claimants income replacement.

Answer. While the Departmental RIF affected some specific FECA employees, it did not reduce the overall FECA employment level. As a result, we do not believe production and timeliness will be impaired.

The 45 day continuation of pay provision applies to traumatic injury cases only. OWCP's standard for processing traumatic case injuries (from receipt by OWCP to ajudication) is 85% processed within 45 days. FECA's performance has met or exceeded the standard over the past several months and has gradually improved over the last seventeen months. For example, for the month of October 1980, FECA processed 64.8% of traumatic injury cases within 45 days, compared to 88.3% for February 1982. The average for the last ten months (May 1981 through February 1982) is 85.9% processed within 45 days.

Assuming the staffing remains at its current level, we believe that FECA can maintain current levels of timeliness and productivity, provided that ESA is able to continue its investment in upgrading the ADP support for the FECA program. It should also be noted that the proposed legislation gives agencies the discretion to award advance compensation in cases serious enough to warrant priority in the initiation of benefit payments.

### Black Lung Beneficiaries

*Question.* How many recipients are receiving black lung benefits under the Department of Labor's jurisdiction? How many are trust fund responsibility and how many are operator responsibility.

Answer. On March 15th, approximately 89,050 beneficiaries received checks for monthly benefits, and over 116,000 miners were eligible for medical benefits only. Approximately 7,850 of the monthly benefit cases and 16,700 of the medical benefit only cases are assigned to responsible operator cases.

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*Question.* How many of those receiving benefits under each program (Trust Fund or RO) are ex-miners? Widows? Other survivors?

Answer. As of March 15th slightly more than 57,000 living miners were receiving monthly benefits—52,100 Trust Fund cases and 5,000 responsible operator cases; 30,600 widows—27,900 Trust Fund cases and 2,700 responsible operator cases; and 1,600 other survivor and dependents monthly benefits—1,450 Trust Fund cases and 150 responsible operator cases. Approximately 116,000 cases were receiving medical benefits only, of which 16,700 were responsible operator cases.

| | Trust fund | Responsible operators | Total |
|---|---|---|---|
| Living miners | 52,100 | 5,000 | 57,100 |
| Widows | 27,900 | 2,700 | 30,600 |
| Other survivors | 1,450 | 150 | 1,600 |
| Medical benefits only | 99,300 | 16,700 | 116,000 |
| Total | 180,750 | 24,550 | 205,300 |

*Question.* Does the Department of Labor take any action to assure that beneficiaries are not receiving Department of Labor benefits and Social Security benefits? Or State benefits and Department of Labor benefits? If the Department does take action, what is it? Has the Department found any instances where beneficiaries are involved in more than one program?

Answer. Certain claimants may legitimately receive Black Lung benefits under both the Part B (Social Security) and Part C (Department of Labor) programs, including over 100,000 miners receiving monthly compensation payments from the Social Security Administration and medical treatment benefits from the Department of Labor. Thus SSA claimants may receive partial benefits from the Department of Labor to bring their compensation up to the legislated level after SSA makes deductions against social security Black Lung benefits, principally for excess earnings or partial disability compensation from a State agency.

The Department of Labor conducts computer matches and periodic claim reviews to identify claimants receiving dual benefits without the required reduction. Similar matches have been conducted by the General Accounting Office and the results have been provided to the Department. A number of cases receiving duplicate benefits have thereby, been identified and recovery actions have been initiated.

*Question.* Certain States provide benefits for Black Lung, some for a certain period of time. Will the Department of Labor have to pick up those beneficiaries in the future, if a claim is filed? If so, how many are predicted? And, have cost figures been projected?

Answer. Current Federal beneficiaries whose benefits are reduced on account of State benefit payments are eligible to receive full Federal benefits if their State benefits expire. The Federal program does not pay benefits for partial disability, and therefore would not pay benefits to someone whose State Partial disability award has expired. Current State beneficiaries who have not filed with the Department of Labor may establish entitlement, but the claim must be filed within three years of a medical determination of total disability due to Black Lung to be considered for Federal benefits. For this reason, some claimants file a Federal claim concurrent with their State claim. (State laws require all Kentucky and most Pennsylvania claimants to do this.) Because State and Federal claims are usually filed concurrently, the Department of Labor does not expect to receive a rash of new claims when State benefits expire. The expected future Federal cost of expired State benefits is already incorporated into the Department's benefit outlay estimates. The Department's estimating method focuses on the actual average benefits of the claimant pool. This average is assumed to stay about constant (after adjusting for inflation) as the increased cost of older cases (with expiring State benefits) is covered by the lower cost of new cases. Newer cases have a lower unit cost because a higher proportion have State offsets.

*Question.* Is there any truth to the allegation that the Department of Labor, after the 1978 Amendments, returned denied Social Security claims to Social Security to be re-reviewed for approval. If this happened, how may files were transferred? What was the outcome of this procedure?

Answer. During the period immediately following the enactment of the 1978 Amendments, some previously denied claims were returned to SSA for re-review

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under the new Amendments. The exact number of cases returned is unknown, as is the eventual outcome of the review.

### Standards for Black Lung Claims

*Question.* Prior to the present administration, did the Department of Labor have any regulations or standards on how a claims examiner could deny a claim? Have there been any changes in procedure since this administration took office?

Answer. Yes, prior to the present administration the Department of Labor had regulations and standards on the processing, adjudication and payment of claims. The most recent set of regulations are the "Standards for Determining Coal Miners' Total Disability or Death Due to Pneumoncoiosis." These were published in the Federal Register of February 29, 1980, and are referred to as the Revised Section 718 regulations. In addition, the program has in the past provided procedure manuals for examiners which define the criteria for the approval of a claim. In December 1981, after this administration took office, the 1981 Amendments to that Black Lung Act became law. In January we issued temporary instructions on processing new claims covered by the Amendments to the Act. These temporary instructions are an interim tool to help claims examiners determine whether to approve or deny a claim. Later this year, after the required publication and clearance, we will issue final regulations and a revised procedure manual related to the changes in the Act brought about by the 1981 Amendments.

*Question.* Does the Department of Labor know of any Social Security regulations or standards on how Social Security approves a claim and sends it to the Department of Labor for payment? Is there any way the Department of Labor can question or deny that claim if it does not meet eligibility criteria? Did or does the Department use different standards for Trust Fund claims than for RO claims?

Answer. The Social Security Administration has regulations and procedures which govern the actions taken by Social Security Administration claims examiners in evaluating entitlement under the Federal Mine Safety and Health Act of 1977. It should be noted that the Department of Labor does not become regularly involved in SSA's decision making process.

In reference to determining eligibility, Section 727.105(c) and (d) of Title 20 of the Code of Federal Regulations is explicit in defining the requirements imposed on the Deputy Commissioner once a decision of entitlement is made by SSA. The determination of entitlement can only be overturned by an Administrative Law Judge or the Benefits Review Board if it is felt that the SSA decision of entitlement is incorrect.

The Department uses the same standards to adjudicate both Trust Fund and R.O. claims. The entitlement criteria are the same.

### Reversing Claims Approval

*Question.* Should the Department of Labor find, in the file, probative medical evidence that the claimant did not have black lung, and the SSA has awarded that claim, what procedure takes place to have that claim disapproved? For instance, there is an autopsy report of no black lung, but SSA has awarded on the basis of a widow's affidavit—can the Department deny that claim, or will Social Security reverse its position if called to its attention?

Answer. Section 727.105 specifically requires the Deputy Commissioner to institute payments to the miner or his survivors within thirty (30) days of receipt of notice of an award claim from SSA, since the decision made by SSA is binding on the Deputy Commissioner. However, the claim can be referred to the Office of Administrative Law Judge for a hearing if other evidence indicates the possibility of no black lung. All relevant medical evidence will be considered at this hearing, and if it is found that the initial determination made by SSA is incorrect, the payment of benefits will be terminated and any benefits paid shall be considered an overpayment subject to the provisions of 725.540

### Response to OIG Criticisms

*Question.* The Inspector General has reviewed the Department's practices recently. What is the Department doing to respond to the IG's criticisms?

Answer. The recent Inspector General review focused on overpayment problems that, in the main, had also been recognized by the program. The information contained in these reports, however, as well as the computerized listings of potential overpayments provided are being used by the program to facilitate review, and

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where appropriate, recovery. Overpayment recoveries totalled $9.3 million in fiscal year 1981 and total $2.7 million so far in fiscal year 1982.

A number of overpayment problems can be traced to inadequate linkage between the Black Lung program's claimant database and its payment systems. The Department expects this situation to be remedied as a result of the total ADP services contract entered into with a vendor on March 16, 1981. The contractor is to modify the system currently in place and implement a comprehensive tracking and payment system by mid-August of this year.

### Collection of Claims Overpayment

*Question.* Is the Department taking any action to collect claims improperly paid? If so, what? How much has been collected? Approximately, what is the percentage collected against what may be due?

Answer. The Department, upon determination of any overpayment, initiates collection action based on the collection provisions of the Social Security Act incorporated into the Black Lung Benefits Act, and the Federal Claims Collection Act applicable to debts due the Federal government. In fiscal year 1981, the Black Lung program recovered $9.3 million in overpayments, and thus far in fiscal year 1982 has collected $2.7 million (85 percent) of identified debts of $3 million. To date, the percentage of collections on overpayments discovered has been relatively high, over 50 percent, on erroneous payments. The percentage of collections is lower in those cases where a claimant's entitlement is reversed at a hearing, administrative or court review. For continuing beneficiaries, the Department can offset future benefits to collect current overpayments. The Black Lung program has begun a comprehensive effort to upgrade its debt collection activities. This effort has included the establishment of a unit in the National Office to coordinate all debt collection activities, and the acquisition of an integrated claims tracking and benefit payment system which will improve accounting and control capabilities. To supplement these efforts, the Department will be conducting a review of all claims in payment status to identify and catalog overpayments for recovery.

### Coal Production Projections

*Question.* It appears that the Department's projection for coal production is somewhat different from the industry's projections, which reflect on the solvency of the Trust fund. Has the Department made projections based on the industry projections of production? If so, what are they?

Answer. The Department of Labor used coal production and price estimates supplied by the Department of Energy (DOE) to prepare its financial analysis of the Trust fund and the testimony it gave to the Congress. Based on limited data supplied by the National Coal Association (NCA), the Department also conducted an analysis of the impact of NCA's long-term coal production estimates on the Black Lung Disability Trust Fund. Use of the NCA data indicated the Trust Fund would require Federal loans through 1989 (as compared to 1985 using DOE data and 5 percent benefit inflation assumptions in January 1981), and that the Trust Fund cumulative debt would be retired in 2001 (as compared to 1994 using DOE data). The main difference in the estimates is that the National Coal Association assumes more of future coal production will come from surface mines than the Department of Energy assumes.

### Trust Fund Claims Transfers

*Question.* The 1981 amendments required "certain claims" be transferred to the Trust Fund. Have those "transfers" been made? How many claims have transferred? How many are awaiting transfer?

Answer. We estimate that approximately 10,200 pre-Amendment responsible operator cases will now be paid from the Trust Fund. The Department is in the process of identifying, reviewing and placing into Trust Fund payment these "transfer" cases. This effort is expected to require much of the program's staff resources over the next several months. As of March 12th, approximately 8,900 transfer cases have been identified. However, this number may involve temporary duplicate counting because a number of parties are searching for transfer cases at the same time. This includes responsible operators, their insurers, the ALJ and BRB, the Solicitor's Office and the Black Lung program. Of those 8,900 cases, approximately 700 have been processed to Trust Fund pay status. Another 9,500 cases will be transferred based on the original estimate of 10,200 cases involving future Trust Fund payments.

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*Question.* Have RO's and their insurance carriers been reimbursed for those claims? If so, what was the amount of the reimbursement? How many more claims await reimbursement or are contested for reimbursements?

Answer. The Department is in the process of reimbursing responsible coal mine operators for benefits paid in transfer claims, and the first reimbursement checks have been issued. As of March 15th, the Department has reviewed 1,500 cases for transfer that operators are now paying, approved 700 for transfer, rejected 800 for transfer, and made 42 reimbursements for monthly benefits totalling $832,000. Overall, the Department expects reimbursements to total approximately $20 million and involve about 1,000 claims.

*Question.* Those claims that were transferred to the Trust Fund—how many were miners' claims. Widows? Survivors?

Answer. The Department estimates that under the 1981 Amendments 10,200 cases will be transferred for payment to the Trust Fund. The term "case" refers to the record of a miner and includes widow's or survivors' claims which may be filed on his record, including those in the future. The transfer process is not yet complete, but when the Department prepared cost estimates for the 1981 amendments, it assumed that 6,800 of the transfer cases would be living miners and 3,400 widows or survivors.

### Survivor Benefits

*Question.* Does the Department have any figures on the number of widows or survivors who may be receiving "unrelated death benefits"? Has the Department made any predictions on how many claims may eventually be "unrelated death benefits"? If so, will the Department supply those figures?

Answer. Prior to the 1981 Amendments, the survivors of a miner with an approved Department of Labor black lung claim automatically qualified for survivor benefits. Because of this fact, no data were specifically sought nor tallied to distinguish between miners' deaths related or not directly related to pneumoconiosis.

The 1981 Amendments eliminate the survivors' unrelated death benefit provision for claims filed on or after January 1, 1982, and limit the payment of survivor benefits only to situations where it can be established that the death of the miner was due to pneumoconiosis.

When the Department of Labor prepared cost estimates of the impact of the 1981 Amendments, the Department assumed that pneumoconiosis would be established as the cause of death in 20 percent of post-Amendment claims filed by survivors after the death of a miner with an approved claim. The Department of Labor now believes that the rate may be somewhat higher. This results from interpretive statements on the construction to be given this provision of the Amendments that were made by Senator Hatch and Congressman Perkins during the floor debates immediately prior to passage of the Amendments on December 16, 1981.

### Claims Workload

*Question.* What is the present approval rate in the Department as a whole? For Trust Fund Claims? For R.O. claims?

Answer. The fiscal year 1982 approval rate from October 1, 1981 through March 12, 1982 rate is 14.7 percent. While the Department does tally Trust Fund and Responsible Operator (R.O.) approvals because it directly affects the amount of benefits paid, separate statistics are not maintained on the number of Trust Fund versus R.O. denials. Therefore, it is not possible to compute separate Trust Fund and R.O. approval rates.

*Question.* Since enactment of the 1981 Amendments, how many claims have been filed by miners? Widows? Other Survivors?

Answer. Between January 1 and March 12, 1982, 2,001 new claims have been filed. This figure includes 1,547 filed by miners and 454 filed by survivors, including widows. Our data does not differentiate between widows and other survivors, but combines all survivor claims in one category.

### Benefits Review Board

*Question.* Concerning the Benefits Review Board, could you detail the budgetary impact on the Board?

Answer. The fiscal year 1983 budget request for the Benefits Review Board is for 107 budgeted positions including 3 Board members. The Board anticipates receiving 2,485 new appeals in fiscal year 1983, of these 1,990 will be new Black Lung appeals, 495 will be Longshore appeals. With a three member Board, the BRB anticipates

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issuing 1,305 dispositions during fiscal year 1983, of which 1,120 will be Black Lung cases and 185 will be Longshore cases. The end of the fiscal year will find the Board with an anticipated 4,934 pending appeals, of these 3,840 will be Black Lung appeals, requiring 3.4 years worth of effort to complete and 1,094 will be Longshore appeals requiring 5.9 years worth of effort to complete. Legislation has been proposed that would enable BRB to increase the number of Board members and hence the decision rendering capacity of the Board.

*Question.* What is the current time frame for processing Black Lung and Longshore Act appeals?

Answer. For appeals decided during March 1982, the average elapsed time from initial receipt of a Notice of Appeal until issuance of a final disposition was 12.0 months for Black Lung cases and 13.3 months for Longshore appeals.

*Question.* What impact do you foresee reduction in Board personnel will have on the Board's capacity to process appeals?

Answer. There are no reductions in Board personnel anticipated for fiscal year 1983. Should reductions be effected, they would impact negatively on the Board's appeal processing capacity.

Mr. PETRI. Thank you.

I really only have one general question in the area of employment training that I would like to ask you.

It is something that some of my constituents ask me from time to time.

We spend all sorts of money and have a growing commitment in the area of permanent vocational education institutions. Then we seem to come along out of the Labor Department with these job training programs, too, rather than just going through one committee of Congress and one department of the Federal Government.

Why do we do this? Is it because we have several bureaucracies that we have several programs? Or is there some real reason in the real world outside of Government for this multiorganizational approach to training people for jobs?

Secretary DONOVAN. I think it is both, Mr. Petri. I have opened a series of discussions with the Department of Education and the vocational education community.

But as you are aware, 95 percent of the vocational education money is from the States. I believe that our vocational education system has broken down over the past 15 years.

I remember as a child a very active vocational school in my own hometown. It seems that has slipped.

I want to create as much synergism as I can between our training programs and the existing facilities. I think that one of the best approaches we are taking is proposing block grants to the States to allow the Governor to bring programs closer to where the problems are and the opportunities are, like our vocational system.

Hopefully we will get more synergism and, therefore, more bang out of the buck. But bureaucracy, undoubtedly, has created this plethora of programs. There is overlapping between programs.

We are trying our best to address this.

Mr. PETRI. Thank you.

Thank you, Mr. Chairman.

Mr. HAWKINS. Mr. Miller?

Mr. MILLER. Thank you, Mr. Chairman.

In your statement, this year again as last year, you indicate that you are going to eliminate unemployment benefits for ex-servicemen.

Can you explain to me how that is going to work?

Secretary DONOVAN. As you know, the suggested amendment for this year is to clean up or clear up what I believe the Congress and we felt was an oversight last year in that some of the servicemen being discharged for cause were still eligible for unemployment.

We are simply asking for an amendment to clarify that and to have unemployment benefits only available to ex-servicemen who were discharged either because of demobilization or for disability.

Mr. MILLER. What happens to a person? What is the current provision for a person whose time has expired, an enlistee who willingly leaves the service after a 4-year or a 2-year hitch?

Secretary DONOVAN. As you are aware, last year the Congress acted on that. Unemployment benefits would not be available to that individual. He is compared to someone who willingly leaves a job in the private sector.

Mr. MILLER. So, the only resource that is available to him at this point is what? If he is out there looking for a job and he cannot find a job, then what?

Secretary DONOVAN. Well, the resources available to him would be training, so far as the Labor Department is concerned, but not unemployment.

Mr. MILLER. I see.

Secretary DONOVAN. It would not be available to someone who left a job willingly in the private sector.

Mr. MILLER. You do not see a distinction between the two?

Secretary DONOVAN. Yes, I do see a difference in that someone leaving the service has lived up to a commitment.

But one of the extraneous or additional, I should say, reasons for this is that we are spending billions of dollars in the defense of our Nation and we view this suggestion as something that would tend to keep people in the service.

I will be very up front with you and tell you that is one of the purposes.

Mr. MILLER. Boy; thank you for being candid. I just find it incredible that people whose enlistment might be up during periods of high unemployment would find they are under a program of incentives to stay in for another 2 years to 4 years and make that decision.

And, people whose enlistment is up in the period of high employment might be able to jump right out and get into the job market.

The person who leaves a job voluntarily at this time is doing so at their own risk. But in the service you have to make that decision for the next 4 years. You do not have a month-to-month or a day-to-day enlistment period. You make that decision for the next 4 years.

I just find it somewhat incredible. I realize that some Members of Congress voted to do that, but I find it incredible that you tell a person after they did enlist and after they did their 4 years, that that is the consequences that they face in a period when they are walking into a job market, that 9 percent of the people are officially unemployed, especially if they are young people.

In your statement you also mentioned the limitation of Redwood benefits under the 1978 or 1979 act. Can you explain that?

Secretary DONOVAN. There are four legislative changes being proposed in the entitlement areas. One of them is a proposed change in the Redwood program.

The reductions in Redwood entitlements are to be effective July 1, 1982, to pay benefits only to those eligible workers directly affected by the expansion of the Redwood Park who became unemployed on or before December 31, 1978.

Other workers in the area who became unemployed after this date and were still eligible for regular unemployment benefits, would continue to receive them, but could not collect Redwood benefits.

This is a saving in the 1982 budget of $1 million and in 1983, $5 million.

Again, the approach here is one of equity, as we see it. I would invite Mr. Zuck to comment further on that area, if he would have something to contribute.

Mr. ZUCK. Essentially what this does, Mr. Miller, is to provide for those individuals during the period of that open window when the park acquisition took place and the unemployment affected those individuals.

It would permit the continuation of the payment of the benefits to those individuals, but not to those persons who subsequent to December 31, 1978, after that acquisition was over became unemployed. It would not provide benefits to them because they were not as directly affected.

So, the view is that they ought to be treated just like anybody else who became unemployed in any other circumstance.

Mr. MILLER. OK.

Mr. Secretary, I have some concern in your statement where you talked about that, you were going to continue to carry out varied legislative responsibilities for the protection of American workers.

My concern is the Fair Labor Standards Act where, in fact, there appears to be a reduction in the number of people involved in enforcement of that provision.

At the same time that you are asking for a substantial increase in the enforcement personnel, later in your statement, I guess in the labor management provisions of the budget, you are asking for this.

I just wonder if you could explain what you expect to happen in the wages and hours Fair Labor Standards Act?

Secretary DONOVAN. I am advised there is no reduction in 1983, Mr. Miller.

Mr. MILLER. Let me ask you if you have been borrowing wage and hour inspectors to engage in other activities?

Secretary DONOVAN. I am advised that we have used some for election reruns; that is correct.

Mr. MILLER. What happens to enforcement under the Fair Labor Standards Act?

Secretary DONOVAN. We are asking for an additional 150 positions under LMSA, which will take up the slack that these wage and hour people are filling at the moment.

If we get that increase, they will be back on to their regular duties.

Mr. MILLER. Can we expect that you are not going to be sending us any legislation the last year after your discovery of sweatshops and the related activities?

You said you were going to send us legislation. That legislation has never come forth to strengthen this area. What is going to happen this year?

Secretary DONOVAN. We intend to send some up here; yes.

Mr. MILLER. When would that be?

Secretary DONOVAN. I will have to check with Assistant Secretary Collier to give you a timeframe.

Mr. MILLER. My concern is that we are seeing in the garment industry, in the sweatshop violations and the violations of the Fair Labor Standards Act, dramatic violations within that industry.

But we, in effect, are not seeing the kind of enforcement or inspections that you promised. I just wondered how we are going to square that.

Secretary DONOVAN. What I promised was the activity of the task force, and it is still active.

Mr. MILLER. The activity of the task force is not getting people the minimum wage. It is not getting people clean work places and safe work places that you, yourself, have witnessed.

Secretary DONOVAN. I certainly have witnessed them. I was accused at that time of making overstatements or grandstanding.

I am glad that you agree that it is a tragedy and it is growing. We do have task forces assigned in this area.

Could we have more? And if we had more, could we be more effective? The answer is yes.

Mr. MILLER. Are you going to have more?

Secretary DONOVAN. Not this year.

Mr. MILLER. You are not going to provide additional people to enforce this?

Secretary DONOVAN. No, we are keeping the personnel—there will be no cuts, but there will be no increases.

Mr. MILLER. You are going to travel on with the reduced work force that you had from last year? And, workload?

Secretary DONOVAN. I am advised that we will have the same workload. I have just been handed some statistics.

For investigations and special targeted enforcement in 1981 there were 60,000; in 1982, estimated 63,000; and in 1983, estimated 63,000.

Mr. HAWKINS. Mr. Miller, could we get back to you?

Mr. MILLER. We will get back to me. I just want to say that even with that, you are talking about a reduction in the normal ongoing inspection and enforcement of the Fair Labor Standards Act of some 19,000 investigations and complaints.

I am just very much concerned. I am reading the statistics where you estimate you are going to have 63,000 this year and 63,000 in 1982 and 1983.

But in your normal inspections under FLSA, you are down from 69,000 in 1981; 56,000 in 1982; to 50,000 in 1983.

So, you are robbing Peter to pay Paul somewhere here. You are talking about a very fundamental wall of this country in terms of wage and hour enforcement.

We can get into it because we can tell you what they are finding in New York and in California in the inspection of these areas. The violation rate is running better than 80 percent.

It apparently is being ignored at the Federal level.

Secretary DONOVAN. It is not being ignored. We are under budget constraints. But I do remind you that we made, and successfully, an attempt at getting industry together for the first time. I think you are aware of that.

Is that a total answer? No, but it is a good beginning, in my view, to have the industry recognize the tragedies that are happening within its industry.

We are encouraging that movement of which you are aware. It started in California and it has now spread to Chicago and, hopefully, to New York.

These are steps taken at no cost to the Federal Government. We think it is helpful.

Mr. MILLER. Let me tell you where the cost is. Apparently it is still to the workers because there is no indication that the violations are going down in that industry and that the Federal law is simply being flaunted by that industry.

So, with their participation, they are continuing to violate the law. I appreciate there is no cost to the Federal Government.

But it is your duty to enforce that law. It is the law of the land. It is not being enforced.

Secretary DONOVAN. You do not have to remind me of my duty. I know what it is.

Mr. MILLER. Apparently I do, because it is not being enforced.

Secretary DONOVAN. I disagree with you.

Mr. MILLER. Thank you, Mr. Chairman.

Mr. HAWKINS. Thank you, Mr. Miller. Mr. Johnston?

Mr. JOHNSTON. Thank you, Mr. Chairman.

Do you think perhaps if you allocated your resources a little more wisely that we could get adequate inspections in order to ascertain compliance?

I have a situation in my district where an organization called Bell House, which is a home for 22 physically handicapped adults, victims of cerebral palsy, was examined by the Wage and Hour Law Division—an unsolicited examination.

They were told to pay $6,000 in back pay, which they obviously do not have. I really kind of question how the Department of Labor would regard it under an obligation to inspect such an organization.

This is just a congregate home type operation where 22 people that would otherwise be forced into institutionalized care, probably at taxpayers' expense, was examined.

As I understand the law, you are primarily charged by Congress with the examination of enterprises engaged in commerce, or the production of goods for commerce on an interstate basis.

Perhaps if you reallocated some of these inspections from the nonprofit sector to the profit sector, you would have adequate inspection capability; would you not?

Secretary DONOVAN. Yes, I guess that would be logical, if we did. The complaint may have been under the Sheltered Workshop. I am not sure of the exact complaint.

Mr. JOHNSTON. There was not any complaint, according to the examiner. There is nothing produced. There are just 22 people with a physical handicap trying to live together and with the zealots in the Department of Labor, they are trying to put them out of business.

Secretary DONOVAN. That is unfortunate. But I am certain that they were there with the law on their side with regard to the wage and hour laws.

Can you explain further, Mr. Zuck?

Mr. ZUCK. Mr. Congressman, I think it would be helpful if you could give us the specifics of that case so we could have it looked at and report back to you.

Secretary DONOVAN. Thank you.

[The information follows:]

BELL HOUSE, INC.

Bell House, Inc. was investigated by compliance officers operating out of the Birmingham regional office (Region IV). As a result of this investigation, back wages totalling $10,410 were assessed against the company.

The Bell House, Inc. is a nonprofit residential care establishment for adults handicapped by physical or neurological disorders. As such, the firm is clearly covered on an "enterprise" basis under section 3(s)(5) of the Fair Labor Standards Act (FLSA). Such residential care institutions were included within the definition of "enterprise" in section 3(r)(1) by the 1966 amendments of the FLSA. Thus, coverage is not dependent on the dollar volume of business or whether the facility is operated for profit or not for profit.

Neither the management of Bell House nor its attorney has been advised why the investigation was conducted. It is the Division's long-standing policy not to reveal the reasons for scheduling an investigation. This policy protects employees from possible recrimination and discrimination.

The investigation disclosed that eight employees, cooks and residential supervisors of the handicapped residents were paid straight salaries which did not include overtime compensation, and in some instances did not cover the minimum wage for the hours worked on a work-week basis.

Bell House, Inc. argues that the company is not covered by the FLSA and refuses to pay the back wages assessed. This file is now under consideration by the Regional Solicitor. While it is not the intention of the Department of Labor to cause businesses such as Bell House, Inc. unnecessary hardships, it appears the compliance officers conducting the investigation of Bell House, Inc. were functioning within appropriate wage and hour procedures.

Mr. JOHNSTON. Thank you.

Thank you, Mr. Chairman.

Mr. HAWKINS. Mr. Weiss?

Mr. WEISS. Thank you, Mr. Chairman.

Mr. Secretary, would you explain to us why the decision was made to discontinue the summer youth employment program for fiscal 1983?

Secretary DONOVAN. As you are aware, Mr. Weiss, that is an 8 week program that, in essence, had very little training.

Under our new ETA Act of 1982, we hope to affect that population in a year-round training program.

It has been a historic program, I recognize. Again, it is budgetary. We hope that our new son of CETA will attack that problem on a year-round rather than on a summer basis.

It is a budgetary matter and it is one of the programs that had to go.

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Mr. WEISS. I should say to you in preface to what I am about to say, that you are about the third or fourth Secretary that the committee has heard in the last week or so.

Invariably, each of you tell us that this or that or another of the programs that are being drastically cut back or eliminated were good programs, successful programs, and that there is nothing wrong with the programs themselves or, in many instances, even the philosophy behind the programs.

But, there are budgetary constraints that force you to do so and so. We have heard that from other people sitting in that chair over the course of the past 10 days.

I must tell you that I do not understand who is going to be responsible for the consequences besides the people who are being denied the advantage of the programs that are being cut back or eliminated.

You were telling the chairman earlier that here you have a successful Job Corps program, but because of budgetary constraints, it is being cut back by about 50 percent because on the short run there are no savings, although in the long run there are. It is a cost effective program.

I must say that coming from a Department such as yours and coming from you, even that seems to be a very short-sighted view of what you are doing.

Are there not, in fact, short-term costs built in to denying kids an opportunity to become trained for meaningful work?

Are there not obvious consequences that you are going to have many more unemployed people out there? In New York City the youth unemployment levels at this point—the official ones—are about 50 percent, slightly over 50 percent.

The artificial levels, the discouraged kids levels, is about the same, higher than those who are officially unemployed.

What are those people going to do? Do we think that problem provides no costs—never mind to society—to the budget? Have you done any kind of cost rating to see what it costs the budget when you got those large numbers of people—young and old—who are unemployed?

Secretary DONOVAN. We have touched on so many points, Congressman Weiss. I just wanted to say—and I think you might agree—that the summer youth program is less a training program and more an income transfer program.

Mr. WEISS. I do not think I would.

We had hearings as recently as Monday in New York. The private sector people keep telling us that one of the biggest problems they have is of getting people who are oriented to holding a job—never mind the skills, never mind even the basic skills.

But they need to have people who are geared to going to work. Those 8 weeks, it seems to me, at the very least, provide a work setting, provide discipline, to tell people that they have to work every day and that they have to come at a certain time, stay a certain number of hours.

Why is that not valid? You people have said that was a valid consideration.

Secretary DONOVAN. It is valid in the theory. Maybe you will not agree. The abuses in this program have been heavy. There is a counterforce at work, I believe, in the summer youth program.

Rather than creating a work ethic—and I think that is what you are addressing yourself to and that is what the private sector was telling you—this may discourage the work ethic, this program, by saying:

"Well, as long as you show up you'll be paid."

There are stories upon stories—and I am sure you have heard them—that the young boys and girls recognize this for what it is, I believe.

It is not a training program and not a work program, but just money to keep them—I have heard this expression—from burning down the Bronx. I will be frank with you.

Does that have merit? I guess you could make a case for it. But it certainly is not a training program. If it belongs anywhere, it would belong in HHS rather than the Labor Department. We cannot masquerade it and say it is a training program. It is not.

Mr. WEISS. I must say, if I may interrupt you at that point, you are working for one Government. How can you say:

"Well, let the Department of Health and Human Services worry about that portion of it."

Assuming everything else you said was true, does it not make more sense to provide some hope for people, with hopefully good programs built into it?

There is nothing to say that you people overseeing these programs cannot mandate and cannot monitor to make sure, in fact, they provide service and that the training they provide, in fact, is valid and legitimate service.

I am not asking for boondoggle. But the irony of it is that if, in fact, those kids start burning down the Bronx, as you said, you know good and well this Government is going to have a response.

They are either going to have to find someway of putting them to work or they are going to start paying the National Guard or the reserves or the military to go in shoot them.

Either way you are going to be picking up costs. You took exception before to the word "insensitive." That was being used, I think, by the chairman.

I must tell you that I find your attitude—no matter how you want to walk away from that—to be insensitive. We are talking about human beings here. All you are concerned about are numbers.

Those number concerns are going to come back and haunt you.

Secretary DONOVAN. I resent that.

Mr. WEISS. I knew you would.

Secretary DONOVAN. I resent it for cause. If you want to privately talk with me about my own personal record in these areas, I would be happy to do it to prove my sensitivity, rather than lack of it.

I suggest you may be insensitive to the fact that we may be creating in the minds of the youth, in the mainly minority youth, an attitude that has to be stopped, Mr. Weiss, if you are going to break the back of a welfare syndrome.

Mr. WEISS. Tell me how. Tell me what program you have to stop. I will buy it. Tell me what the program is.

Secretary DONOVAN. These youth that you are speaking of have to be trained and educated in the basics. What ends up at the Labor Department for our attention are people who do not even have the basic three "Rs."

I would rather see the summer youth money spent in education and in training than I would in that program.

Mr. WEISS. Do you know that the education programs are being cut back. Mr. Schweiker was here and Mr. Bell was here telling us why they have to cut back on their funding because of budgetary constraints.

Secretary DONOVAN. I understand that.

You asked me what my opinion was. We have created a new serfdom, in my view, by some of these well-meaning programs. A dependence that robs our fellow Americans and fellow human beings of self-respect creates this.

Keep in mind the need to keep body and soul together. Do not misunderstand me. I do not think we have done this. Maybe there is not a way to measure it. I know it is out there.

As well meaning as some of these programs are, I wonder about the long-term damage that some of them do.

Mr. WEISS. Mr. Secretary, have you and Mr. Schweiker and Mr. Bell gotten together and said:

> Listen, we have a problem here. Maybe we ought to work together on this. We know we cannot do it without any money. Let us go to the President and say: "Listen, here is the problem. These kids need help. They need to be educated. They need to be trained. They need to be employed. We want to work out a program to do that. We cannot do it without some funds."

Have you taken that kind of an approach at all?

Secretary DONOVAN. Certainly, we have.

Under our training program, I appealed the initial budget directly to the President. That is why we have $1.8 billion instead of $800 million.

Mr. WEISS. You were going to have $800 million to start with?

Secretary DONOVAN. That was the original suggestion; yes.

Mr. WEISS. Do you not feel that an administration that could seriously suggest to you that the employment training program be cut back to $800 million is truly out of touch with the reality of the American society when we have a 9 percent unemployment level?

Secretary DONOVAN. First, it was not the administration. It was a suggestion out of OMB.

Mr. WEISS. Where do they come from? [Laughter.]

Secretary DONOVAN. I am telling you that the proof that this administration recognizes the need for a national training program is the proof of the size of the budget we are suggesting of $1.8 billion.

Mr. WEISS. Well, if you think that is proof of real concern, I guess you have to stand on it.

Secretary DONOVAN. We keep discussing this in a vacuum here. The major problem is the situation in the economy. We cannot be seriously attacking these deficits. I think that is the critical thing right now.

We are discussing these programs in a vacuum.

They all have to contribute to decreasing the budget deficit I would love to see some of these programs at higher levels. I kid you not about that.

But in these times there is more at risk than ever before for all of us. It is in that context that we have to view these things.

Mr. WEISS. Do you expect the projections that were made last year before this subcommittee that unemployment would reach 9.4 percent by the end of 1982, the Wharton economic forecast, to be correct?

It seems to be coming fairly close. How do you feel about those projections? What do you expect unemployment levels to be by the end of this year?

Secretary DONOVAN. I am confident that our projections on the average are accurate, but I would ask Commissioner Norwood to comment. She is not really in the projection business.

I feel they are realistic; at least I sure hope they are. If they are not, they would have very negative budgetary implications.

Ms. NORWOOD. The administration forecasts are not very far off for 1982 from those that are put out by a number of the primary forecasting outfits.

The differences, for example, between Data Resources, Inc., which is one of the major organizations, and the administration forecast, is only about 0.2 for the year.

I would point out that most of the forecasters manage every month to reforecast. It is a very interesting exercise to go back and look at the forecasts that were made in the private sector, month after month for the same time period.

They vary by very large percentage points.

Mr. WEISS. The Wharton people appeared before us last year at about this time. They projected that if all the President's programs, budgetary programs, were opted that, in fact, by the end of 1982, we would see a 9.4 percent unemployment level.

They seem tragically to becoming very close to that. I am not sure if I got a clear response from you.

What do you expect the number to be—9.2 percent; is that what you are saying?

Ms. NORWOOD. As you know, Mr. Weiss, I do not forecast, but I can tell you that the administration forecast for 1982 was 8.9 percent.

I do not have the Wharton forecast here, but I do have a group from DRI. They were much higher. They have begun to come down.

There were some signs last month of some slowdown in the rate of employment declines, as you know.

Mr. WEISS. Do you think that the upturn that the indicators are showing, that the upturns have already begun?

Ms. NORWOOD. No; I did not say that.

Mr. WEISS. I know; I am trying to get from you a clear response as to where you think we are. Never mind the forecast. Where are we right now?

When do you think the economy, so far as the indicators suggest, will start the upturn that the administration is taking about?

Ms. NORWOOD. I cannot tell you that. I do not have a crystal ball. I guess what I am trying to say is that I do not think the economic forecasters have them either.

What I can tell you is what has happened and that is that we currently have, that is, for the month of February, an unemployment rate of 8.8 percent.

We have had during that month some slowdown in the rate of employment declines. In fact, payroll employment was relatively stable during the month of February.

We also had a decline of approximately 150,000 in people who are on layoff waiting to return to work.

I believe that we need to wait a few more months before we can be certain where that is leading us. But certainly the data for the month of February was more encouraging than those we have had before.

Mr. WEISS. The Secretary has to make some projections based on somebody's information, because just on the unemployment trust fund figures alone and on what he is going to require, what figure is he using?

Ms. NORWOOD. The figures that the Department of Labor uses are those which are projected by the models of the Council of Economic Advisors.

For 1982, the figure that I have here from the Economic Assumptions for the budget show a figure of 8.9 percent.

As I said, most of the forecasters at the current time are forecasting somewhere in the 9-percent range.

Mr. HAWKINS. Would the gentleman yield?

You indicated an optimistic note on the February figures. Would you give to the committee the increase in the part-time employees and what is happening to the so-called discouraged number?

Are these figures worsening or are they getting better?

Ms. NORWOOD. First, Mr. Chairman, may I say that I did try to emphasize that we need to be cautious in interpreting the data.

You are correct that there was an increase in part-time for economic reasons. There was also an increase in the unemployment rate for adult women.

Mr. HAWKINS. Would you deal in statistics so we will have something specific? Just what was the increase in the number of part-time?

We would assume that these individuals, a large number, would be seeking full-time and that they may be the ones who may be the first to go back to work and may not decrease greatly or at all the official rate because they are already counted as full-time. Or, at least equally with those who work full-time.

Ms. NORWOOD. There was an increase in the month of February, between January and February, of about 500,000 in the number of workers who were working part-time for economic reasons, that is, because they could not get full-time work.

The point that I was trying to make, however, is this.

Mr. HAWKINS. Would you give us the actual number of individuals?

Ms. NORWOOD. Certainly. That number is 5.5 million.

Mr. HAWKINS. Do you have any estimate of the number who are discouraged and who, therefore, are not counted?

Ms. NORWOOD. I do not have that with me. I can submit that for the record. We only have those numbers on a quarterly basis.

Mr. HAWKINS. I would appreciate that.

Without objection, so ordered.

[Material referred to above follows:]

DISCOURAGED WORKERS

Discouraged workers are persons who indicated in the Current Population Survey (CPS) that they want a job "now" and are not looking for one because they think they could not find one. In the fourth quarter of 1981, the CPS reported 1.2 million discouraged workers and 9.1 million unemployed workers.

Mr. HAWKINS. At least we would add to the approximate 9 million unemployed, the 5.5 million. If we counted only half of them, we would get a rate which is exceedingly higher than the 8.8 percent. That is what we seem to zero in on.

So, we are not talking about 9 million unemployed people. We are talking about a lot of others who are part-time employees.

We are talking about the discouraged and we are also not even counting those engaged in illicit activities. We certainly can assume, as a result of Reagonomics, that a lot of individuals have gone into illicit activity of hustling, stealing, and otherwise.

They are counted as employed. So, we get up to a pretty high rate.

Would you deny that this—without editorializing as I did, to some extent—that the actual number is a lot more severe than what the official rate would indicate?

Ms. NORWOOD. It is much easier for me to leave the editorializing to the Congress than the press.

Let me just say, as I am sure you are aware, Mr. Chairman, the Bureau of Labor Statistics publishes every month a series of unemployment rates, which we call U13U7.

There are differences in value judgments. There are differences in the conditions of people who are unemployed. Those rates range, in the month of February, from 2.7 percent for those who are unemployed for a long period of time, to 11.5 percent, which includes the part-time for economic reasons.

The official rate, which is based upon an activity definition, that is, someone who is unemployed must be available for work and have actually looked for work during the prior 4 weeks, was in between.

Mr. ECKART. Would the chairman yield on that narrow point?

Mr. HAWKINS. I yield back to Mr. Weiss.

Mr. ECKART. Mr. Weiss, if you would yield just on that one point—and Ms. Norwood, while we happen to have you on this—I am not absolutely certain on what you said to Mr. Weiss in response to his question.

You do not prepare for the Secretary the unemployment projections for budgetary purposes?

Ms. NORWOOD. That is correct.

Mr. ECKART. You only report the past activity for statistical analysis?

Ms. NORWOOD. That is correct.

Mr. ECKART. I just wanted to understand that.

Thank you.

Mr. WEISS. Mr. Chairman, I think I have used more than my allotted time.

I yield back the balance of my time.

Mr. HARKINS. Mr. Erdahl?

Mr. ERDAHL. Thank you, Mr. Chairman.

I am sorry that I came in a bit tardy and have not heard the full presentation.

One of the concerns I would have, and maybe again we have been doing a lot of speculating and some forecasting here, Mr. Secretary, is this.

What do you see ahead as far as potential unemployment in this country down the road? We had a respite, it seemed like, in the last couple of months. Last month it seemed to bounce up again.

Do you feel that is stablizing? Is that a fair question?

Secretary DONOVAN. I have them here written down. Ms. Norwood will answer that.

Ms. NORWOOD. There are some signs, as you indicated, that there are changes occurring. For example, housing starts have increased. Some of the declines that are occurring in things like industrial production are being reduced.

The problem I think we are faced with is that because January was such an unusual month—the weather was just disastrous—many of the economic indicators plunged downward.

In February those indicators were covered. It is as though we are having some improvements. It will probably take a little more time to be sure exactly when the turnaround will come.

There is no question, however, but that all of the major forecasters are suggesting a turnaround sometime over the summer.

Secretary DONOVAN. Were you asking for the projections for the next few years?

Mr. ERDAHL. It is pretty hard to predict the next few months, let alone the next few years.

I was thinking about the rest of 1982. Then I have no further questions.

Secretary DONOVAN. I am somewhat encouraged from what I see publicly and what I am advised privately that the interest rates are truly on their way down.

I think that is a critical factor. It is the critical factor.

Mr. ERDAHL. I agree it is a critical factor. I hope that you will be right in your prediction that they are on their way down.

Secretary DONOVAN. There is an indication or a feeling that even within the next 45 days that the prime would be as low as 14 percent.

I think that would be a very encouraging sign.

Mr. ERDAHL. I would think if we would see 14 percent in a month and a half, we would see our economy really break loose since construction and what not, normally increase in spring and warmer weather anyway.

If the interest rates stay up, then I do not think any one of us can be very optimistic about some of the changes in unemployment and other things in our economy.

Secretary DONOVAN. I would agree with you.

Mr. ERDAHL. Thank you.

Thank you, Mr. Chairman.

Mr. HAWKINS. The Chair will declare a 5-minute recess.

[Recess taken.]

Mr. WEISS [acting chairman]. The committee will resume its sitting.

Mr. Corrada?

Mr. CORRADA. Unfortunately, as a result of the oil situation beginning in 1973, the recession, the U.S. recession between 1974 and 1976, unemployment went up all the way to 21 percent by 1977.

Then we began to tackle the problem. After the recession was over, and also because of the CETA jobs program, unemployment came down to 18 percent from that 21 percent level by January 1981, which still was of major concern to us.

But at least the trend began to move in the right direction by the level of unemployment coming down from 21 percent to 18 percent.

Between January 1981 to January 1982, that 12-month period, unemployment in Puerto Rico came up again from 18 percent to the current 22.4 percent.

So whatever we gained in the period from 1977 and 1981 in our fight to reduce the level of unemployment, we have lost in a year.

The main contributor to that was the elimination of the public service employment jobs in CETA. That alone resulted in a loss of 25,000 jobs in Puerto Rico.

Our labor force is approximately 1.1 million people, of which grossly 900,000 are working and 200,000 are out of a job. There are fluctuations up and down on a monthly basis.

The loss of 25,000 jobs in CETA alone accounted for an increase in unemployment from 18 to 20 percent, taking into account the size of our labor force.

We are, of course, pleased with efforts in the training and unemployment field. They are essential to us. We are embarked on a major economic development program by providing a tax incentive under section 936 of the Internal Revenue Code so that there can be an investment of American capital in Puerto Rico to create jobs there.

While we have progressed more than anywhere else in the Caribbean and Latin America with an income per capita that exceeds that of any area there,we are still lagging behind the poorest of the States. We have about a 50-percent level of economic development of the State of Mississippi.

We have really been very adversely hit by the elimination of the PSE component of CETA, Mr. Secretary. I do not contend that perhaps that was a program that resulted in inefficiencies and abuses and so on, but the fact is that we lost 25,000 jobs.

With the kind of high leval of structural employment that we have, the possibilities of getting these people hired in the private sector are more limited than what you would have in the average situation in the U.S. mainland.

I think in devising the policies of your Department as they pertain to Puerto Rico, it would be important for you to take a look into this particular situation and see what can be done in conjunction, of course, with the effort of our Department of Labor in Puerto Rico, the Government there, and the private sector.

They are willing to participate in a concerted effort to see how we can begin to lower that staggering level of unemployment.

Mr. Secretary, as you know, when Federal and Puerto Rican policy fail to take care of the needs of our people, the end result is that they migrate to New York, to New Jersey, to Massachusetts, to Connecticut, and so on.

We had a massive migration in the 1940's and 1950's. After the 1960's, with the advent of economic development through the promotion of private capital investment and with the advent of the Federal programs of the 1960's and the 1970's, that migration from Puerto Rico to the mainland was stopped.

It was stopped in 1972. But it is starting again. If we do not do something now, I am afraid that perhaps in the decades of the 1980's, you will start seeing a massive migration of Puerto Ricans back again from the island to the mainland.

We would rather retain them there. We would rather provide them the jobs there. We would rather provide them skills.

Let me tell you, when they are trained they can be as skilled as anybody. I had the president of Westinghouse tell me that their Puerto Rican workers, once they are trained, are as productive as the Japanese and have been more productive than their counterparts in plants in the U.S. mainland.

But we have to give them the incentives, of course, to work and the skills to work. We also have to provide a better understanding and working relationship between your Department and our Department of Labor in Puerto Rico, pertaining to the migrant worker situation.

As you know, Puerto Rican workers can come to pick apples in the U.S. mainland. But of course if you certificate that they are not available, then the apple growers can bring Jamaicans. And the Jamaicans, because they are not U.S. citizens, may be willing to accept the kind of working conditions that the Puerto Ricans, who are American citizens, may not accept.

But I do not think we should let the apple growers get away with it easily. I think it is important for your Department to make sure that the apple growers here can bring Puerto Rican workers who are American citizens before you certificate that they can bring foreigners.

If there is a good working relationship between your Department and our Department, and I hope obviously that is the intention, I think we can help tackle that problem also.

I just wanted to express these concerns to you and hope that we can work together, you and our Government, to improve the situation in Puerto Rico.

Secretary DONOVAN. Thank you.

I appreciate and I share your sentiments. I have met with your Governor. I am aware of the tragic situation that you face.

I just wish you luck in the industrialization and in connection with that industralization and expansion, our training programs could be most helpful, I would hope.

Mr. CORRADA. I yield back the balance of my time.

Mr. WEISS. Mr. Washington?

Mr. WASHINGTON. Thank you, Mr. Chairman.

I am very much concerned about one area, Mr. Donovan, which has been rendered almost impotent through the budget cuts in your shop, and that is the Office of Federal Contracts Compliance.

It is my understanding that it has suffered a cut in personnel of almost 40 percent across the board, and certainly 40 percent in Chicago.

Obviously, this program cannot maintain any degree of effectiveness with that disproportionate amount of cuts which seem to be higher than any in the rest of the Department of Labor, that 40 percent.

Let me ask you this. Did you have anything personally to do with the cuts in the Office of Federal Contracts Compliance in terms of employees and personnel?

Secretary DONOVAN. Yes, we meet with each agency head and try to allocate the resources that we have within the Department to affect the mandate of the Department.

So, I certainly would say so.

Mr. WASHINGTON. The 40 percent is correct; is it not?

Secretary WASHINGTON. I am not sure of that.

Mr. ZUCK. I cannot verify that number, Mr. Washington. That may be isolated in the Chicago regional office.

Mr. WASHINGTON. It is my understanding from staff here that it is across-the-board, across the country, and that 40 percent is the figure.

I know that specifically 40 percent is the figure we are talking about.

Mr. ZUCK. We can verify that for you. As a part of the September budget revisions when there was a 12-percent across-the-board reduction, that was applied to each of the agencies of the Department.

There may have been somewhat greater percentage reduction than the 12 percent applied to the Federal Contract Compliance activities.

There is no further reduction, however, contemplated for fiscal year 1983.

Mr. WASHINGTON. Notwithstanding that, does 40 percent—assuming that is the correct figure—has that figure been reached in any other department under your jurisdiction, that is 40 percent?

Secretary DONOVAN. OFCC has actually taken a 34-percent reduction in full-time permanent positions over the 3-year period between fiscal year 1981 and 1983.

Mr. WASHINGTON. Across-the-board in all agencies under your Department?

Secretary DONOVAN. No, sir.

Mr. WASHINGTON. Why 40 percent in that particular agency? What disturbs me and many others is that here in a time when we have burgeoning unemployment, and where it specifically hits minority groups, and that is assailably correct, why would one attempt to truncate to that degree an enforcement agency which is designed to make certain that certain groups get at least a fair share of the jobs in the market?

A 40-percent cut of the personnel in that Department is just catastrophic.

Secretary DONOVAN. You would expect that there is a direct correlation between numbers and the effect of the enforcement in the Department.

There is not a direct effect, in our view. The total compliance actions in 1981 were 9,225. In 1982 we estimate 9,900. In 1983, we have an estimate of 10,245.

In compliance reviews, we would go from an actual in 1981 of 3,100 to 3,725 in 1982 and 3,725 in 1983.

The efficiencies of the Department are a major factor and the targeting is a major factor.

Mr. WASHINGTON. In line with that response, let me just request that you submit for our records, if you do not have it today, figures broken down into local areas, in any way you prefer to do it, the following data for fourth quarter fiscal year 1981 in total and as many quarters of fiscal year 1982 as are currently available:

One, the number of compliance reviews performed; two, the number of preaward reviews performed; three, amount of backpay awarded; four, number of administrative complaints filed and the number of show-causes issued broken down by services supplied versus construction, the number of conciliation agreements entered into; and the number of effective cases closed.

We would like to have this data for each region as well as in gross totals.

We have received quite a few complaints from various women's groups and so forth, that notwithstanding the fact that this information is public, for some reason they are not privy to it.

Could you provide that information for the record?

Secretary DONOVAN. We can and we will.

Mr. WASHINGTON. Thank you.

Mr. WEISS. Without objection, so ordered.

[Material referred to above follows:]

OFCCP COMPLIANCE ACTIONS

The national totals for the above requested items of information are available and are being provided except for the number of compliance reviews performed, for which we are also providing a regional breakdown. Although regional breakdowns of this information were made public in the past, it is our view that continued release of certain regional data can have a negative impact on the effectiveness of OFCCP enforcement efforts. By analyzing regional data on program activity, it is possible for a given contractor to estimate the likelihood of its establishment being scheduled for a compliance review. Most importantly, the data could reveal regional and national enforcement priorities. We want to encourage and assist contractors to comply with their contractural obligations voluntarily; however, we do not want to create and maintain opportunities for contractors to avoid fulfilling their obligations.

It is important to note that Show Causes Notices may be issued for a number of reasons, including but not limited to, access of contractor data, failure to respond to requests for Affirmative Action Plans, or failure to comply with the terms of a Conciliation Agreement. Although data on Show Cause Notices are not maintained by type of violation, a study is being conducted to identify the types of violations most typically found during compliance reviews.

As requested, we are providing the number of back pay cases being reviewed in the National Office. There are 51 cases pending review.

As you may be aware, disclosure of OFCCP program information was at issue in the case *Women Employed* v. *Department of Labor* (Civil Action No. 82-381, USDCDC). A settlement has been reached in the case, thereby resolving the issue. We have attached a copy of the Stipulation and Order of Dismissal.

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## OFCCP COMPLIANCE ACTIONS COMPLETED IN FISCAL YEAR 1981 AND 1ST QUARTER OF FISCAL YEAR 1982

| | 1981 | | | | | 1982 |
|---|---|---|---|---|---|---|
| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Total | 1st Quarter |
| Total compliance Reviews | 599 | 616 | 791 | 1,129 | 3,135 | 510 |
| Preaward compliance reviews | (69) | (55) | (117) | (118) | (359) | (24) |
| Conciliation agreements entered | 137 | 236 | 293 | 372 | 1,038 | 121 |
| Amount of back pay awarded (000) | $1,556 | $1,612 | $835 | $1,092 | $5,095 | $467 |
| Administrative compliance filed | 5 | 6 | 4 | ..... | 15 | ..... |
| Potential affected class cases pending at end of quarter | 439 | 456 | 427 | 361 | ..... | 352 |
| Total show cause notices issues | 90 | 66 | 91 | 60 | 307 | 29 |
| Supply/service | (82) | (61) | (83) | (50) | (276) | (27) |
| Construction | (8) | (5) | (8) | (10) | (31) | (2) |

## OFCCP COMPLIANCE REVIEWS COMPLETED IN FISCAL YEAR 1981 AND FIRST QUARTER OF FISCAL YEAR 1982

| | 1981 | | | | | 1982 |
|---|---|---|---|---|---|---|
| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Total | 1st Quarter |
| Region: | | | | | | |
| I | 37 | 66 | 76 | 99 | 278 | 45 |
| II | 12 | 16 | 16 | 36 | 80 | 24 |
| III | 40 | 28 | 54 | 89 | 211 | 15 |
| IV | 106 | 152 | 198 | 216 | 672 | 125 |
| V | 209 | 148 | 229 | 280 | 866 | 142 |
| VI | 26 | 20 | 49 | 191 | 286 | 59 |
| VII | 46 | 37 | 34 | 33 | 150 | 31 |
| VIII | 2 | 17 | 12 | 31 | 62 | 7 |
| IX | 103 | 101 | 97 | 110 | 411 | 38 |
| X | 18 | 31 | 26 | 44 | 119 | 24 |
| Total | 599 | 616 | 791 | 1,129 | 3,135 | 510 |

## UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLUMBIA

(CIVIL ACTION NO. 82-381)

WOMEN EMPLOYED, PLAINTIFF,

*v.*

DEPARTMENT OF LABOR, DEFENDANT.

### STIPULATION AND ORDER OF DISMISSAL

Upon consideration of defendant's disclosure of certain portions of the Second Quarter 1981 Quarterly Review and Analysis Reports ("QR&A's"), a copy of which is attached hereto and made a part of the record, and defendant's agreement to continue to make available to plaintiff within a reasonable period of time the same information contained in future QR&A's, to the extent that future QR&A's contain such information, it is hereby stipulated and agreed between the parties that this action shall be dismissed, each side to bear its own costs.

STANLEY S. HARRIS,
*United States Attorney.*

ROYCE C. LAMBERTH,
*Assistant United States Attorney.*

BEST DOCUMENT AVAILABLE

GEORGE P. WILLIAMS
*Assistant United States Attorney.*
*Attorneys for Defendant.*

CORNISH F. HITCHCOCK,
KATHERINE A. MEYER,
*Attorneys for Plaintiff.*

Mr. WEISS. Mr. Eckart?

Mr. ECKART. Thank you, Mr. Chairman.

I would want to piggyback on the request of Mr. Washington, Mr. Secretary. It is fortuitous that you are here.

I just, in the last several days, dictated a letter to you sharing some of the same concerns. We did not even have a chance to counsel about this.

These concerns were just raised by my colleague from Illinois. There are substantial impressions, at least among some individuals and some of my constituency, that the attitude and direction of this administration is lay, in terms of enforcing equal opportunities for women and minorities.

I make no allegations but I would like to have some substantiation of the requests of Mr. Washington.

Before I proceed with my questions, Mr. Chairman, I want to take this opportunity to commend Ms. Norwood from the Bureau of Labor Statistics for the record.

I do this very simply because we in public policy positions oftentimes are accused of flying blindly without the benefit of sound data to support what we, in fact, have done or what we may be willing to do in the future.

Mr. Secretary, I want you to know that the Bureau of Labor Statistics provides a valuable service to Members of Congress, State legislatures, and all throughout the country. That assistance, by virtue of giving us sound data, is greatly appreciated.

I would like to get into my area of questioning after having said some nice things.

Secretary DONOVAN. Thank you for that compliment. I share your view of Commissioner Norwood.

Mr. ECKART. David Stockman said high unemployment is the price you pay to control inflation. I would like to offer you a simple question:

As the custodian of labor interests and working men and women and as a representative of their interests before the administration, are you for or against that statement?

May I have your comments about Mr. Stockman's remark?

Secretary DONOVAN. Taken as a simple statement, as you read it without any other context to refer to, it sounds awfully crass.

There is truth to it. One of the sad things, I think, in the past was this.

As we tried to fight inflation in past administrations with unemployment and then to fight unemployment by overspending and creating inflation, we had two miseries that we were fighting.

We sit here today ending up with both. I think, in essence, Mr. Stockman's statement is true. It is a fact of economic life that unemployment increases as the fight on inflation increases.

It certainly is not the only area.

Mr. ECKART. Mr. Secretary, in Columbus, Ohio in 1980, then candidate and now President Reagan criticized President Carter very vigorously by saying at the time that this administration—referring to Carter—has chosen to try to beat inflation by unemploying hundreds of thousands of Americans.

This is an incorrect, inhuman policy. I am trying to square, Mr. Secretary, the remarks of then candidate Reagan, with the remarks of his chief budget dirrctor, Mr. Stockman.

I think the American public and myself, at least personally, are very concerned over, one, what is perceived to be a change in the policy of those high in the administration, or two, whether the remarks of Mr. Stockman then or Mr. Reagan then were less than sincere.

I realize I am asking you to comment on other people's quotes.

Secretary DONOVAN. I understand. I will as honestly as I can give you my reaction.

I think the fight against inflation was critical to everyone's interest—to all Americans. I would suggest particularly this was of interest to the working people of America and to the poor. The wealthy seem to find ways around that or even to take advantage of inflation.

That fight was most necessary. There is no question that it creates a byproduct of unemployment. I think the recession we are in exacerbated that situation.

I am not bright enough to know to what degree the fight against inflation has increased the unemployment rate and what can be laid at the doorstep of the recession.

I would suggest that the great percentage of it would be laid at the door of the recession.

Mr. ECKART. Mr. Secretary, I hope you understand my concern. When we in public life, commonly known as politicians in the derogatory sense of that word, make appeals to electorates at election time, and then in the performance of our public duties, seem to either one, change our position, or two, become indifferent to the remarks we made while soliciting votes, we do not do anything to enhance our creditability.

I submit to you that from my vantage point this administration—and again I am not referring to any remarks you have made—has either seemed to change its mind or has grown indifferent.

Secretary DONOVAN. But on the whole I would say of any President, at least in my memory, whether you agree with him or you do not, he has kept more of his promises that he has made, than any other President in my memory.

I think he increased the credibility of the promises of candidate Reagan to President Reagan in a substantive way.

Mr. ECKART. We could have a lot of fun debating that, Mr. Secretary.

Secretary DONOVAN. I said whether you agree or not. He has kept his commitments.

Mr. ECKART. You will have a hard time convincing those who were not expecting draft registration to continue.

The entitlement programs area, on page 3 of your testimony, refers to additional advances that are needed for the unemployment trust funds for paying unemployment benefits.

Mr. Secretary, several States in the United States—my home State of Ohio being one of them—are deeply in debt already as a result of high unemployment levels and their funds having to borrow and gain advances from the Federal Government.

Ohio, Michigan, and Illinois, I believe, are among the leaders in the country in their obligations back to the Federal Government as a result of borrowing.

One, is your office monitoring this? And, two, are you concerned about the deep indebtedness of the States? Three, do you have any idea as to the depth of the trouble and what may be needed to further assist these States, as their unemployment levels are going to remain higher than the rest of the country and will continue to lag behind the rest of the country in the recovery?

Secretary DONOVAN. Yes, I am very concerned about the debt of the States which I am told could reach $9.2 billion by the end of the year.

Broader than that, I am concerned about the unemployment trust fund as a result.

I know you are aware that we are trying to create incentives for the payback of these loans through interest after April 1982 for loans thereafter, except for those loans which are borrowed on a cash flow basis and would be repaid by the end of the year.

We do believe, as I testified earlier, that if our economic projections hold, what we have in place is adequate. We see as many as 46 States triggering on to extended benefits.

If the recovery is as soon, the beginning of it, as soon as summer, we believe that we would not have to return for supplementals.

But if those projections are proven incorrect, we are prepared to review the situation and look at its impact both on the unemployment trust fund and the budgetary considerations.

We would be back up for supplementals in that circumstance.

Mr. ECKART. Ohio is in a deeply difficult situation, Mr. Secretary, facing a $1 billion State deficit on a State budget of slightly over $16 billion.

Facing automatic triggering of increase assessments against business people in Ohio further exacerbates our difficult economic situation.

I do not know that our State is prepared to deal with the suggestion that interest be accelerated; we cannot even afford what we are paying now.

Is there any view on this? Are you concerned about the States capabilities to repay you? If so, are you considering anything that may defer State reimbursement to you?

Secretary DONOVAN. As you are aware, in stating the obvious, the repayment was well thought out and I think it was a good program.

How these funds are raised, there are many opportunities that States have beyond that tax for the repayment. I know it is a bitter pill during recession times.

At this stage we feel we want to see how this program works and then review it. We do feel there has to be a balance established at

the State level as to their budgetary constraints and the benefit programs.

These will have to be weighed with social impacts in mind and the budget in mind. At this stage we want to see how it works and then review it at a later time.

Mr. ECKART. Ohio is perhaps ill-equipped at this point, Mr. Secretary. Someone from another part of your administration and from the Commerce Department testified that the auto industry is 6 to 8 years away from recovery.

For Ohio, with the auto industry being a primary source of industrial output and income, we are looking at severe problems for a protracted period of time.

I do not see that the administration's plan will begin to take hold sometime this year.

Ohio is at the very end of the economic tail, if you will. Before we will start to pick up, I predict we are going to see very serious problems in Ohio.

I just want to alert you that I might very well be back to you about unemployment compensation trust fund assistance.

Let me move off in another area, if I may, to employment service operations.

In fiscal year 1981, less than a year ago, we were at roughly $800 million and a staff level of about 31,000.

Since that time we have gone up and down and, in fact, had to have a supplemental bill, if you will recall, to avoid the impact of the continuing resolution that we passed in December which cut the funding for them to $500 million.

We laid off service employment people just at the time when the offices in my district were being jammed by the closing of two Fisher Body General Motors plants.

In your fiscal year 1983 budget, as near as I can tell we are still well below where we were a year ago.

The jobless rate has not followed this up and down pattern of opening and closing offices and laying off people and constricting the access to employment services.

First of all, how do you justify this kind of yo-yo budgeting? How does it relate to the ability of Ohio and other industrialized States in the Northeast, which need these services so badly, to properly predict and budget themselves?

Secretary DONOVAN. As you pointed out, it was not the administration's fault totally in the last session that created this program. As you pointed out, we have sent up a supplement to take care of it.

The projections that we have for 1982 with the staff year of 24,800, and in 1983, at 21,800——

Mr. ECKART. Which is down from 31,500 where we were a year ago when unemployment is less than it is today.

Secretary DONOVAN. It is down from 31,500, but it is based on an average unemployment rate for the year of 8.2 percent.

We believe that it can work efficiently at those levels.

Mr. ECKART. I invite you to review where they are standing in lines for 6, 7, and 8 hours merely to get their little books stamped, which show that they went and looked for a job.

It is not adequate. This is not an emperical study that I have done. This is not an analysis of labor statistics data.

This is simply the result of standing in line with those people who do not understand why there are not enough people at least to help process these claims.

There are not a whole lot of people who want to stand in that line for 6 to 8 hours, Mr. Secretary. To go from 31,500 to 21,000 while we are still calling for unemployment levels in the 8 percent to 9 percent range, in my district and in my State, is working an undue hardship on those people on top of the fact that they do not have a job.

It may be that we are reaching a policy difference here. All I can tell you is that I cannot tell them:

"Well, there are 21,000 people and that is adequate to take care of your needs."

It is not adequate in Ohio. Maybe you can reconsider that through.

Secretary DONOVAN. Well, we will reconsider it. I believe it is not only the people. It is the efficiency of the employment service. That is under study right now in the Department.

We believe that they are far from being the most efficient agency that we come in contact with so far as production is concerned.

If it proves inadequate, we will be back up to you.

Mr. ECKART. They are doing yeoman's work. I do not dispute that.

What I am saying is that our situations are peculiar. I probably speak for some of my colleagues from Michigan. It is difficult, particularly in light of what another agency in the administration is saying that we are 6 years to 8 years away from turning around the auto industry in Ohio.

Twenty-one thousand people just are not going to be sufficient.

Secretary DONOVAN. May I just ask this?

I was going to get into this, but it is too complicated for me. I would ask Al Zuck to deal with it. It has to do with the level of the account and the whole area.

Mr. ZUCK. Mr. Congressman, one of the few problems we have in the financial structure that finances the whole employment security system, both the ES and UIS is this.

The amount of available Federal tax receipts under tax is that we simply have a financing problem that we could not finance a 30,000 level employment service under the existing tax arrangements.

There is a financing problem that is far broader than just the basic question of the level of staffing for the employment service, part of the Employment Security Agency, that needs to be addressed.

Mr. ECKART. All I can tell you is that when I listened to the Department of Commerce testifying saying:

"Do not worry; your people are going to be taken care of because of the income security programs."

I then say: "OK."

I then come over here and I am told:

"Well, we do not have quite enough people to get those income security programs out to the people without them having an inordinate delay."

Something does not square. I am not sure that Commerce and Labor are talking. But if you are, maybe it is not English. If it is English, maybe we ought to try to figure out if we are on the same wavelength.

Six years to 8 years recovery is not, under any set of circumstances, good. But if we are going to rely on—and again this is the administration's testimony—income security benefit programs, then they ought to be made available to paople in a fairly reasonable manner.

I do not think standing outside in lines is the way to do it.

Secretary DONOVAN. I would agree.

Could you tell me for my sake what they mean at Commerce that it takes 6 to 8 years to get the automobile industry recovered? To what point are they talking?

Mr. ECKART. I will send you their testimony. The subcommittee erupted when they said that. It was on both sides of the aisle.

It was 2 weeks ago before an Energy and Commerce subcommittee hearing dealing on auto industry problems. I will make a note here to send you a copy of the testimony.

Secretary DONOVAN. Thank you.

Mr. ECKART. On page 5 of your testimony—and I will take just a few more questions, Mr. Chairman, if I may—you state this.

One of the real problems we have had has been the predictions of unemployment levels that we have been saddled with in the last year.

I am looking at the President's budget from last year when he predicted unemployment levels of 7.2 percent this year and 6.6 percent next year and 6.4 percent the following year.

The Congressional Budget Office was not a whole lot better. They were calling for 7.8 percent.

Mr. Secretary, on page 5 you talk about the funding for the State administration of insurance and the funding levels for the programs.

I suppose the question I am asking, Mr. Secretary, is this.

In light of the track record of the administration for predicting unemployment levels and interest rate levels, how are we to believe the numbers that you are predicating these appropriations on now?

Secretary DONOVAN. They are our best estimate of what the situation is. I would believe, possibly as a result of the distance they were off last time, I believe they have predicted higher levels and longer recovery periods.

I am comfortable, if they are not totally accurate, they are close. I think Ms. Rivlin also agrees this time?

Mr. ECKART. She does agree, but she is calling for a $128 billion deficit and the administration is calling for a $95 billion deficit. There is a small difference of $33 billion.

Everett Dirksen said: "A billion here and a billion there. Pretty soon we are talking real money."

I am to the point where I do not have a whole lot of confidence in any of the predictions I am getting except what Ms. Norwood tells me happened last month.

I can pretty much go back and check that out.

If we are going to try to get a handle on interest rates, then we have to get a little better guestimates. I do not want to get into the whole David Stockman credibility thing.

I would like to talk about youth unemployment.

The Republican mayor of Cleveland strongly supported this administration electorially. He has predicted in testimony before this Congress that without youth employment programs, we are going to be facing very serious problems on the streets.

I heard part of the colloquy between you and Mr. Weiss. Maybe, Mr. Secretary, it i s not a very good training program. Maybe all it does is require some young people to show up at 8:30 in the morning and pick up some cans and bottles along the streets and pull some weeds and plant some flowers and put them in a supervised setting.

Maybe it gives them a few dollars. They have to go to a bank and cash a check and learn how to budget that money a little bit.

But I tell you what it does do. They are not hanging around street corners.

What we are talking about in terms of unemployment levels among minority youth, among white middle class youth, just candidly scares me.

Secretary DONOVAN. Me, too.

Mr. ECKART. There has to be some point in terms of the policy considerations of your internal administrative dealings. I am delighted to hear that you went forward in your personal appeal to the President within the budgetary process.

I still do not think $1.8 million is enough, obviously. But we reach a point where there is a very strong diminishing return on the few dollars we save in term of the social impact of those dollars.

That is an editorial comment on my part.

My last question—and I know I have kept you longer than you want to be, Mr. Secretary—is this.

The last item is the Federal Mediation and Conciliation Service. This is a valuable tool viewed by both labor and management. We have had some problems for the proposed closing or relocation of these offices in Cleveland.

Of course, I am going to always argue for keeping whatever I have in Cleveland. "Do not cut me; cut somebody else."

Let me say to you, Mr. Secretary, there probably are few programs that enjoy such solid support with both management and labor as this.

I cannot think of any other time with this great economic dislocation, when it is more appropriate for the Federal Government to serve the interests of both parts of the working part of our economy by helping people to resolve disputes in a peaceful, amicable, nonconfrontational way.

I submit to you, additionally, that we get no greater return from the small appropriation that these services require than what is envisioned there.

I think we are seeing a new point in labor management relations around this country. Labor unions are going back to major corporations and talking about renegotiating for job security. It is a little more of a partnership instead of a confrontational attitude.

I think that the cuts and the changes in the Mediation Conciliation Services are ill-considered in what I view as a change in tone in the country.

Of course, I make a pitch for keeping our offices open in Cleveland and staffed with a level that is consistent with the services they have provided.

Mr. Chairman, I appreciate the diligence. I want to thank the Secretary for coming forward. I do not know that we are going to get substantial agreement on some of the differences.

I would tell you the same thing I told Secretary Bell. I do not know that I will ever have an opportunity to sit there, Mr. Secretary, but if I were ever in that situation, sitting in a position where I am influencing substantial public policy in a narrow area—if you can call your position that—I would say I view the job also as an advocate role for the narrow part of the administration that you have.

I would pass off simply some of the following judgments:

"I had to do this because of budgetary constraints. It really was a great program. It was doing a fine job. But I had to do it."

I think you are abdicating your advocacy role for that part of the administration that you have.

As I told Secretary Bell who claimed off in a similar way, we almost reach a point, Mr. Secretary, where all we need is a bookkeeper.

We could save a lot of money. In my instance, if I rolled over every time I was told how to vote, we could save a lot of money.

If in your instance all you did was what David Stockman told you to do, we could save a lot of money.

I realize that it is not difficult to advocate within a team concept that this administration has. But I would hope as being part of the Congress, and you advocating a position of labor in this administration, would be reflective of programs that do work and make some sense and not merely:

"It is a great program. But I have to do it because we have to meet some budget considerations."

We need advocates today. Our system is dependent upon it. I just would hope in all the deliberations that indeed have to be difficult as we try to figure out what is wrong and how to solve it, you will keep that role in mind as well.

This is the first time we have had a chance to talk. I appreciate this opportunity.

Secretary DONOVAN. Fine; I would like to comment that I recognize my role as an advocate. It is even broader than the working men and women in this country to this degree.

It would be hollow advocacy if I closed my mind to the economic tragedy that the country faces in what I truly consider to be a hemorrhage in the budget.

That is why we have been cooperative to the degree we could in the contribution of budget cuts.

But I am a strong advocate in reminding the administration of the difficulties that the people I represent face.

Would you not call it advocacy if we were helpful? We were in driving down the inflation rate.

The hard-earned and hard-bargained dollars that the working men and women in this country got through the collective bargaining system was eroded away in the past 6 years. I consider that great advocacy, if I can be helpful in those other areas.

The problems that we face are that deep and that broad. It is the narrow advocacy role that I must be in at this particular time. It has to be a broader one.

Mr. ECKART. Thank you, Mr. Chairman.

Mr. WEISS. Mr. Andrews?

Mr. ANDREWS. Thank you, Mr. Chairman.

Mr. Secretary, I am Ike Andrews from North Carolina.

First, let me say how sorry I am that I was not here when Mr. Biaggi had the conversation with you about title V of the Older Americans Act.

But I have been told of your response to him that you would be supportive to the extent that you are able in trying to retain the moneys that have thus far been available to that program.

I do chair the Subcommittee on Human Resources which has the older Americans program. I want to thank you for that support and wish you well in your efforts.

Second, I am not on the subcommittee that has to do with the Davis-Bacon Act nor am I an expert about it at all.

But I would like to take a moment, if I might, to discuss this.

Contractors in the area I represent, which is basically Raleigh-Durham, but others in Greensboro, Charlotte, and so forth, tell me that they favor the Davis-Bacon Act as written into law, which, as you know, provides for the payment of prevailing wages on Government contract construction jobs and so forth.

However, they say that over decades of time, that the Department of Labor has used, as an area in which to determine prevailing wages, apparently a very extensive area—not North Carolina or not Piedmont, N.C., which is what I am in—but instead a much larger area perhaps including Philadelphia or other cities from other than North Carolina.

Then they come up with the highest rate from such region to the end that, as I am told by them—and I cannot verify this, that if there is, for instance, a contract to be let to build a facility in the Research Triangle Park, as now is the case with the National Institute of Environmental Health Sciences, or EPA, or whatever, or a post office, that no North Carolina contractor is likely to even bid for the job.

I am told that is the case. As you know, the construction industry is very depressed in our area as it is elsewhere. Many of our bricklayers, plumbers, and electricians and so forth are out of work. They need work.

Yet, they work for a construction company who just does not bid on those jobs. They tell me the reason is this. I cannot give you accurate figures. I will just have to use figures for purposes of illustration.

They say that those contractors, many of whom do successfully, major huge jobs all over Africa, the Middle East, and so forth, they bid against the same Philadelphia contractor in Israel or Egypt or wherever very successfully, but they do not bid in the Raleigh-Durham area.

These are major companies. They are very competent companies.

The reason is that there is a prevailing rate for, say, bricklayers, for example, in that area. They pay that much. But your Department comes in and says as to that job in the Research Triangle Park, or elsewhere, that is Federal, you set a prevailing rate for those bricklayers that is much higher than the prevailing rate in North Carolina.

That contractor cannot very well be making an enlargement to Duke Hospital, 12 miles away, at which he is paying his bricklayers who work on that job, a given figure.

Then they will take a job to build something at Research Triangle Park for the Federal Government and pay those bricklayers, who happen to get assigned to that particular job, substantially more than he is paying his bricklayers elsewhere.

Hence, rather than have that disruption among his employees, he just does not bid.

Hence, those jobs, I am told, go to contractors who come from far, far away.

Someone has told me that your Department either recently has or is in the process of perhaps reviewing that situation and may have or soon are to. publish some new regulations that perhaps address what I am told to be a problem.

Is that correct? Are you doing that? Have you done that? Is it available? When do you expect it will be available? To what extent, if any, does it address this problem if, in fact, I have correctly stated the problem?

Again, I say I do not of my own personal knowledge know this. I am repeating what I have been told by what I presume to be reliable people.

Secretary DONOVAN. Mr. Congressman, you have described the problem well.

I believe that in many areas—and that one in particular—Davis-Bacon has strayed, the application of the law has strayed from the intent of the Congress.

That is one of the major areas where talking about urban and rural rates with regard to establishing the fair wage is concerned.

Those geographical areas have spread to where the city rates have crept into the rural rate area. If there is one major change of importance administratively that we attacked, it is that.

We want to be sure and with the capabilities we have and can get, I am convinced that we can clearly differentiate an urban and rural rate.

In the past, there were 13 or 14 years that would pass, as I understand it, before these rates were even reviewed by the Labor Department.

I give you my word, and we are well on our way—we are through the comment period on Davis-Bacon administrative changes—and we hope to have the new regulations out by early spring.

That is one of the areas—and you described it well—that will get our attention.

Mr. ANDREWS. May I just add—and I do not want to prolong this—but just for the record, in case my motive might be misunderstood, I certainly am not trying to advocate that you or anyone else seek to depress wages among working people.

That is not the objective of my question whatsoever. But I think you understand instead that whereas neither I nor you may be able to cause bricklayers in North Carolina to make more or less, I am not presuming to seek to do that.

But whatever rate they are to work for, I surely wish they could find work. They are not.

That is the motivation for the question and for thinking that you may be on the right track.

May I just further say this?

I do not know how you define rural and urban. But down home we do not consider the Raleigh-Durham-Chapel Hill area to be rural at all.

I think it is among the 10 most rapidly growing areas in the United States. It is already quite large, we think. It is a major metropolitan area, statistically and otherwise.

May I just say to you, not that this distinguishes rural from urban, necessarily, but just as an illustration of what is there, the district that I represent has more Ph. D.'s than any district in the United States.

That does not necessarily mean that it is rural or is not rural, but I think it may be some evidence that there is a lot going on down there.

It is a major center for microelectronics and many highly technical industries. Our Governor and our State and others are doing a tremendous job with our great university centers at Duke, the University of North Carolina, North Carolina State, and so forth.

But I just do not understand how that can be considered by anyone to be altogether a rural area.

Secretary DONOVAN. We would not consider that area that you just described as rural.

Mr. ANDREWS. Thank you.

Thank you, Mr. Chairman.

Mr. WEISS. Mr. Kildee?

Mr. KILDEE. Thank you, Mr. Chairman.

I will not be long. I know the Secretary is good to have stayed as long as he has. I just have a couple of questions.

Mr. Secretary, you and I both started out earlier in life pursuing a career other than Government service. We share that.

Our present jobs, respectively, give us a tremendous opportunity to serve people. I think we recognize that.

I think we have to reflect and meditate upon the priorities of Government. That is what has been going on in a very tense way in the last year.

I commend to both of us to reflect upon and meditate upon those priorities.

Youth unemployment is a very, very difficult problem in American today. Certainly in my State it is difficult.

In Detroit, an area similar to my district of Flint, Mich., the youth minority unemployment is around 70 percent.

Secretary DONOVAN. Did you say 70 percent?

Mr. KILDEE. Yes, it is an enormously high figure.

What should we tell those unemployed people to do this summer? Summer creates particular pressures in seeking employment.

It is very difficult to know what to say to the unemployed people I represent. I can present my voting record, but I have been unsuccessful in retaining programs to assist them. I cannot wash my hands of my responsibility for their plight merely because I voted against the budget cuts and the tax cuts last year.

What can we tell those people in Detroit and in Flint about this massive unemployment, particularly for youth and minority youth?

Secretary DONOVAN. For teenagers and minority youth?

Mr. KILDEE. Yes.

Secretary DONOVAN. As I said earlier, when CETA began, that situation, as I am advised, was at the 28 percent level and nationally now it is 45 percent. You say 60 percent in Flint.

I am afraid without economic turnarounds, there is very little we can tell them or anyone else. On the short term, I would tell them to enter the training programs to get a real marketable skill, even if it has to begin with some reading, writing, and arithmetic and some vocational and some on-the-job training.

Mr. KILDEE. We have cut vocational education. We are cutting the very programs that can afford the unemployed more access to the job market.

These unemployed people now have virtually nowhere to turn for assistance. I have held meetings with private foundation people in Flint to try to arrange for funding of some programs. Hopefully I will be somewhat successful.

But this alone cannot begin to significantly reduce the high unemployment in Flint, Mich.

Secretary DONOVAN. That is why we are focusing a new CETA, Congressman, on the 16- to 25-year-old school dropout and the AFDC women.

It is an area that the Government certainly belongs in in a big way because I do not think anyone else will address themselves to that problem.

I think something feeds it, and I hesitate to raise it, but I must, is this.

Something that feeds minority unemployment is the lack of a youth differential in the minimum wage. I came to this city not being convinced of that, but I have studied it strongly. I think that is a major factor for the large growth of that percentage.

I know it is a hot issue. I know both labor and the chamber of commerce do not want it revisited. But I think in all honesty it has to be said. You and I got our work ethic by washing windows at a drug store. I was proud, and you were, too, of that first check.

You probably remember the amount. I remember mine. This is being denied them. I am not sitting here saying that they should be working at some kind of slave labor rate.

I consider a youth differential a substantive tool. I would hope that this administration—and we testified on it—would get more strongly behind it and the Congress be more sympathetic.

I think it is needed.

Mr. KILDEE. Let me just indicate something that is happening; a phenomenon that is becoming increasingly more common. I will, in the process, sort out some conclusions. Maybe I am in the process of trying to sort out some conclusions for myself.

A few years ago many of the entry-level jobs like pumping gas were held in my area by youth. Now I see in the gasoline stations in the Flint area adult workers who have been laid off from their regular jobs in the automobile industry.

These workers have exhausted all their benefits. They are now the ones who are pumping the gas.

Many such jobs that traditionally have been filled by youth are now being taken by those who have been laid off by General Motors.

That is one element to sort out. Another element to sort out is this.

What will happen if the employer feels that he can hire someone at a youth differential wage? He will, in all likelihood, hire a young person, whom I am very concerned about, but at the same time he will be eliminating an opportunity for the person who just got laid off at Buick.

Secretary DONOVAN. I know that is the argument.

Mr. KILDEE. It is something we have to consider.

Secretary DONOVAN. We have to keep it in mind.

That also presumes that there is an exhaustible amount of jobs in that category, no matter what rate—if you want to call it $2.50. For argument's sake, let us use that.

I have met with length with small business organizations. This is what they tell me. They used to be proud, as small businessmen, at being the first rung on the ladder of future employment for the young.

That is where they got their work ethic and that is where they got their initial pride in being self-sufficient. They were very unhappy that that is becoming less and less the case.

That tells me something. It tells me there are jobs out there for youth with a youth differential that will not affect an older worker.

I do not believe there is an exhaustible amount of those. Call me too optimistic, but I really believe that, be it a drug store, a butcher store, or whatever.

To me it is an asset that is laying out there that is being taken out of the market by an unreasonable rate. Is it a great rate? No. Is it better than zero? Yes.

I am not only talking dollars. I am talking about the work ethic and some hope.

Mr. KILDEE. Setting aside the substance of the youth differential, it would be interesting to know just how much we would be able to reduce that 60 percent minority youth unemployment.

I, like you, got my social security card when I was 14 years old. Maybe I was younger than that when I got my working papers. I also worked in drug stores and grocery stores, doing a variety of jobs.

I had certain advantages that many of today's unemployed youth do not. First of all, I was not a minority. Second, the economy was booming at that time because of a tragic war.

I think that Government has to consider as a high priority, the youth unemployment that now has reached such massive levels.

Secretary Weinberger is certainly an advocate for the Department of Defense. I agree with Mr. Eckart who indicated that one of your roles as Secretary of Labor is to be advocate for the laboring people and for those who want to be laboring people in this country.

I suspect that when Cap Weinberger advocates the adoption of a new program or a weapons system he is more successful in securing OMB approval than HHS or the Labor Department or the Education Department.

I think the No. 1 priority in the second session of this Congress, is to examine the Defense budget for those items that either can be cut or deferred.

I do not know what we can defer, but I am convinced that we cannot defer the unemployment problems of these young people again this summer. This is the only summer many of them will spend as a 15 or 16 year old.

When I was serving on the Appropriations Committee in the Michigan Legislature after the first Arab oil embargo, I was chairman of the Appropriations subcommittee on Education.

I had to fight for education when the Governor began to cut back on the State budget.

I had to be an advocate. Had I not been an advocate, the money would have been spent for other programs.

I do not fault others for being advocates, but the fact of the matter is that unless we have strong advocates for labor, training, and education programs on the Cabinet, the other Departments are going to win funding for their programs at our expense.

I submit that Cap Weinberger has been a lot more successful as an advocate than you have.

Secretary DONOVAN. He has; certainly he has, because of the President's position on defense. I agree it should be reviewed. I would hope we could satisfy the requirements of our defense at less dollars.

Even if we did not spend it in areas where you say I should be a better advocate, it certainly will help get those deficits down and get the country rolling sooner, which has a direct effect on the people I am to advocate for.

But I assure you that I have been an advocate. I have been a good team player, too, not a drone.

I act from conviction. I recognize the pain that is out there. But I also recognize that it is something that is almost necessary to get us through this year.

It will be a great day this time next year when the economy is moving again where I do not have to sit here and defend a cut in the Job Corps.

Mr. KILDEE. I think you are trying to defend the indefensible. Your job is such that you do.

I do not put that much emphasis upon being a team player. When I am judged, I am going to be judged individually as Dale Kildee.

I have had to quit some teams. I have had to tell some teams that I could not stay with them any more. I have had to tell my own party at times that I could not go along with them.

I was censured by my own party when I was in the Michigan Legislature because I told them that they were wrong. There are times when you and I are going to be judged on how we perform as individuals and on how we influence the teams we are members of.

Secretary DONOVAN. Sure we are; I have been a member of many teams, athletic and otherwise. I was never prouder to be a member of a team as I am to be a member of this administration.

When we succeed, the criticisms we take today, I hope we get the praise we deserve.

Mr. KILDEE. The only thing any of us can hope is that the program of the administration will work. All the evidence so far has been contrary to that.

Secretary DONOVAN. That is not true.

Mr. KILDEE. Walk with me through Flint.

Secretary DONOVAN. I will. But do not forget what we have accomplished, to the degree we were responsible, on the fight on inflation. Would you believe this time last year that you would ever hear of a 3.5 percent inflation rate in January?

Let us count our blessings, too, not only the horrors.

Mr. KILDEE. The inflation rate, and perhaps the interest rates, are going down. But they seem to be still out going down with the economy. I hope I am wrong.

If that be the case, we really have not gained all that much if they are going down with the economy. I just feel that there is so much human suffering out there.

In my adult lifetime I have never seen things as bad as they are in Flint, Mich., right now. That has to be a vital Government concern.

You and Terrell Bell and Richard Schweiker have to be convincing the President that that is as vital a concern as this Nation's military preparedness.

If you are unsuccessful, human suffering will be the result and you and I are going to be responsible for it. I say "I " because I was unsuccessful last year in trying to achieve what I thought was my moral obligation to block the loss of revenue which we could have used to fund programs like this.

I was unsuccessful. I was not party to it positively, but by failing to defeat it I feel responsible for it just the same.

Secretary DONOVAN. I find myself on the other side, obviously. I was for the President's program, as you indicate you were against it. You voted your conscience.

I am acting under my conscience. I tell you unashamedly. I believe we are right and that you are wrong.

Mr. KILDEE. All I can ask is that a person follow his conscience. I think I will end our discussion the way I started. Both of us tonight should meditate about the priorities of this country and our efforts to address these priorities.

If either one of us feels he has been wrong, we should have the courage to admit it and adjust our policies.

Secretary DONOVAN. I agree with that.

Mr. KILDEE. Thank you.

Thank you, Mr. Chairman.

Mr. WEISS. Thank you, Mr. Secretary.

I have one or two cleanup questions.

Mr. Zuck, you had mentioned earlier the complex financing problems that you saw in the Federal Unemployment Tax Act.

I do not want to go into in any great details at this point, but would you be good enough to send to the committee a memorandum outlining those problems so that we have an understanding as to exactly what you are confronting and perhaps with some indication as to where you are going with it and where you think Congress fits in with it?

Mr. ZUCK. Yes, sir.

Mr. WEISS. Without objection, so ordered.

[Material referred to above follows:]

FUNDING OF STATE ADMINISTRATIVE COSTS

The limitation on the use of Unemployment Trust Funds for State administrative activities is limited by law to 95 percentum of the net Federal Tax Collections available for administration as set out in section 901 of the Social Security Act. The Grants to States for Unemployment Insurance and Employment Services request exceeds the funds available in both fiscal year 1982 and fiscal year 1983 by $149,474,000 and $274,900,000 respectively. The computation of this excess over limitation is shown in the table below. Although this language was technically "point of order" language in fiscal year 1982, the Congress enacted an emergency supplemental to keep the Employment Services offices staffed and to provide the additional revenues needed to process unemployment claims. The Department of Labor is asking Congress to enact the fiscal year 1983 request even though it exceeds trust fund availability. There are sufficient funds within the Unemployment Trust Fund to finance these additional amounts in both fiscal years 1982 and 1983.

The Department is currently reviewing this situation and will take any necessary corrective actions.

ECONOMIC ASSUMPTIONS USED FOR FISCAL YEARS 1982–83 REQUESTS

| | Fiscal year | |
|---|---|---|
| | 1982 | 1983 |
| Total unemployment rate (percent) | 8.9 | 8.1 |
| Insured unemployment rate (percent) | 4.7 | 4.5 |
| Fiscal years 1982–83 unemployment trust fund availability: | | |
| Federal tax collections | $3,757,000,000 | $4,050,500,000 |
| Refunds (deduct) | −68,000,000 | −62,500,000 |
| Net tax collections | 3,689,000,000 | 3,988,000,000 |
| Reduced tax credits (to FUA) | −484,000,000 | −634,000,000 |
| Balance subject to EUCA percent | 3,205,000,000 | 3,354,000,000 |
| Transfer to EUCA (deduct 5/14's) | −1,144,600,000 | −1,197,900,000 |
| Available for administration | 2,060,400,000 | 2,156,100,000 |
| Grants normal availability (95 percent) | 1,957,400,000 | 2,048,300,000 |
| Additional availability | 150,000,000 | NA |
| Total grants availability | 2,107,400,000 | 2,048,300,000 |
| Grants UTF request | 2,256,874,000 | 2,323,200,000 |

BEST DOCUMENT AVAILABLE

ECONOMIC ASSUMPTIONS USED FOR FISCAL YEARS 1982–83 REQUESTS—Continued

| | Fiscal year | |
|---|---|---|
| | 1982 | 1983 |
| Excess over limitation | 149,474,000 | 274,900,000 |

[1] Sec. 901(f) of the Social Security Act authorizes an additional $150,000,000 to be used from the Employment Security Administration account to meet the additional costs of administration due to an increase in the insured unemployment rate for a calendar quarter of at least 15 percent over the rate of insured unemployment for the corresponding calendar quarter in the immediately preceding year.

Mr. WEISS. I think that for practical purposes that pretty much winds it up. I enjoyed the last theological and moral discussion that you and Mr. Kildee engaged in.

I believe Mr. Miller has one question.

But I just want to urge one thing upon you. I said I think it is going to be a great day next year at this time when you are going to be before us and you hope that you get the proper credit from us.

Do not worry. You will. I hope in fact it is positive. The concern that I have is in thinking back to your testimony last year, and I do not question at all the sincerity with which you hold your beliefs and that the President holds his beliefs.

But every indication we have had over the course of the past year is that things have not worked as projected, as intended, as expected, as the theory held.

There are many Republican Members, both in this body and in the other body, who have now publicly come out and said so. They are looking for ways of shifting course for correction—major, minor—at least taking some shifts in course.

Business people and economists out there who were strong supporters of the President's program last year have now again indicated that as far as they are concerned, you have to review and reassess.

That is a concern that I think many of us have. You and others in the administration, because of conviction, find yourselves still tied to the hopes and expectations of last year when the experience of this past year is indicating to many other people that something has gone awry.

What we ask is that before a major disaster befalls this Nation—and we are well on the way to it—please take a hard look. Otherwise, we are not going to have that great glorious day next year.

You are going to be coming to us, not only with supplemental funding requests, but you are going to be coming to us asking for great depression-type programs to cure some of the problems which have been left unattended.

I do not think any of us really look forward to that. I certainly do not. Yet, you may find that the situation which now may be correctable, a year from now may be almost beyond easy or ready for correction.

If you want to comment, please feel free to do so.

Secretary DONOVAN. I will just comment to this degree that we took office a little over a year ago.

We faced what I think honest men was an economic malaise in this country of the first order. The economic order of the President

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has been underway since October 1. You have heard this 100 times, but I believe it.

It took us 25 years, at least, to get into this mess. It is going to take us time to get out.

Does that mean we have all the answers? Obviously not. I think the President himself said his budget is not cast in concrete and he is looking for suggestions from the Hill.

I hope there can be a meeting of the minds. I think it is necessary.

From what I see, I am somewhat encouraged that that is happening.

Mr. WEISS. Well, for awhile he was saying: "Put up or shut up." Then he changed that to: "Shut up." Now I think it is back to: "Let us talk about it."

I think that is a positive direction that we are going, but I am not sure, given the exceptions that he has carved out, that he really does not want to talk about these problems, and, in fact, that there is very much room for flexibility or maneuver.

Secretary DONOVAN. I would not be so pessimistic.

Mr. WEISS. Right. Mr. Miller?

Mr. MILLER. Thank you, Mr. Chairman.

Mr. Secretary, on the issue of the subminimum wage, do you currently have under consideration a proposal to deal with the minimum wage?

Secretary DONOVAN. We are studying it now. We have testified last year that we believe it should be addressed and it is the administration's policy that a youth differential —you call it subminimum wage, I call it a youth differential —is a useful tool to attack what is a national tragedy. That is youth and particularly minority youth unemployment.

I just read with interest the other day in National Review that reminded us of what I said earlier. Unemployment among minorities were 28 percent. Then in Time magazine in April 1980, Walter Williams, who I consider to be an extremely reputable economist, said that unless we address the youth differential by 1982 minority youth unemployment will be in the 40 percent range.

Mr. MILLER. How do you plan to address the issue of the youth differential?

Secretary DONOVAN. There has to be one. I cannot give the specifics now.

Mr. MILLER. Do you plan to address it legislatively or administratively?

Secretary DONOVAN. We have to do it legislatively, as I understand it.

Mr. MILLER. You do not, then, have under consideration now changes in the regulations or definitions under the minimum wage?

Secretary DONOVAN. I had it investigated and I am told it cannot be done administratively, Congressman Miller. It must be done legislatively.

Mr. MILLER. OK.

Secretary DONOVAN. I wish I did have it on a limited basis so I could do it and prove something to ourselves.

Mr. MILLER. In that light along with Mr. Williams and others, in your discussion with Mr. Kildee, do you have the substantiation and the position that this concern over substitution is not valid and that it would not take place?

Secretary DONOVAN. Substitution of young for old? Yes, I think that is something that happens. But I do not think we should stop there and say: "Let us abandon the dialog."

As I said earlier, I am convinced of this.

Mr. MILLER. The dialog is not what I am concerned about. Changing the law is what I am concerned about.

Secretary DONOVAN. Yes, the dialog to change the law is what I mean.

There is not an inexhaustible amount of jobs for our minority youth, and youth in general. I am convinced of that. They are not being hired because the employer has made a market decision that they will not produce the minimum wage and services to him.

Mr. MILLER. Mr. Secretary, with all due deference, I think if you will look at where those jobs are being created and the kind of industry you saw the jobs created over the last decade, they are not necessarily where youth and minority youth are.

The vast majority of the entire job creation in this country came in the service sector which came in the growth of the fast food industries.

I think you only have to look around this city to see where fast-food industries are already.

It was 1 year ago already that you testified before this committee and look what happened.

Secretary DONOVAN. Now if we could only have the loaves and the fishes. [Laughter.]

Mr. MILLER. Those jobs are being filled by minority youth. But that is where the really rapid job creation has taken place.

A good portion of that has been in the suburbs. It has been out of the innercity With all due respect, if you are getting $2.50 an hour, that does not leave a lot for commuting.

It presents some very, very real problems. I think the substitution issue is very legitimate when you look at where those jobs are created.

I find it hard to believe there are a lot of small businessmen who have a job at $2.50 an hour but do not have a job at $3.35 an hour. Maybe that is so.

Secretary DONOVAN. Do you find that hard to believe?

Mr. MILLER. I do find that hard to believe. I find it a single attitude about young people who desire to work.

We are not talking about the differential between somebody making $6 and $2.50, we are talking about the legislative minimum.

Secretary DONOVAN. But if you found that were so, would you be for a youth differential?

Mr. MILLER. Yes.

Secretary DONOVAN. I will try to prove it to you.

Mr. MILLER. I think it appears the problems that currently small businesses have are far greater than one or two slots. We are losing 500 a week or something like that to involuntary closures.

Secretary DONOVAN. That is a different subject.

Mr. MILLER. I think it also expresses where the job creation will be or not be.

On the question of Davis-Bacon that was raised by Mr. Andrews, in the proposed regulations, I understand that there is also the recommendation to do away with the weekly wage reporting requirement.

Secretary DONOVAN. That is correct.

Mr. MILLER. What happens if that, in fact, is done? How do you monitor the program?

Secretary DONOVAN. The records are available for inspection at any time. By law they have to keep these records.

I can tell you that upon investigation in the Department, those records were sent and they were hardly read. That is a fact.

It does not mean they are irretrievably lost to us. Do not get that idea at all. By law they must keep these records. They are subject to our audit.

Mr. MILLER. There is some suggestion—and this is not just to your administration. It obviously was the situation before you came to town.

There is some suggestion that some of those records were read. There may be retrievably a substantial amount of money that the Government paid out on some projects.

Secretary DONOVAN. I really did not hear that question. I am sorry; would you repeat it?

Mr. MILLER. The fact that the records were never read does not attest to whether or not the records are accurate.

Secretary DONOVAN. That is true.

Mr. MILLER. There is some concern as to the enforcement side of that as to whether or not the records reflect the value received on various construction projects in which the law applies.

Secretary DONOVAN. There are two ways to determine that.

Mr. MILLER. You are talking about people being out in the field to now spot-check or enforce?

Secretary DONOVAN. That is correct.

Mr. MILLER. Thank you.

Mr. WEISS. Thank you very much, Mr. Secretary. You have been more than generous with your time. We really appreciate it.

We will see you again bright and early on Monday, apparently.

Secretary DONOVAN. That is right. Thank you.

Mr. WEISS. The committee is adjourned.

[Whereupon, at 12:30 p.m., the committee was adjourned.]

[Material submitted for inclusion in the record follows:]

PREPARED STATEMENT OF HON. TOM RAILSBACK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

I appreciate having this opportunity to express my views on the portion of the Department of Labor budget dealing with the Community Service Employment Program for Older Americans. This program, authorized under Title V of the Older Americans Act, has fulfilled its objectives with an effectiveness all too rare in our federal government. It is incumbent upon us as responsible legislators to see that such a program, which passes the empirical test of service to our citizenry, is not weakened in a desirable general move toward fiscal solvency.

The Administration's estimated fiscal 1983 outlays for the special consolidated employment program amount to about half of fiscal 1982 outlays for all the programs proposed for consolidation. This does not adequately ensure that community service employment for older Americans will remain in a viable or independent pro-

gram. It would surely lessen the special focus of government energies which is necessary to meet the unique employment needs of older Americans.

It is in keeping with the Administration's emphasis on volunteerism to retain a program such as this which contributes to the available pool of labor for non-profit social and health services. There are few, if any, programs which supplement the activities of private community service organizations as effectively as Title V of the Older Americans Act. This program assumes a particular importance at a time when funding for other community programs is being reduced.

The Senior Aides program, administered by the National Council of Senior Citizens, is a remarkable example of a single government program efficiently serving a multiplicity of individual needs. All programs under Title V of the Older Americans Act are of course designed to provide productive part-time employment for low-income older persons. The Senior Aides program, in addition to this basic function, provides an important labor resource for community service, promotes better intergenerational relations, and improves the self-image, quality of life, and income security of older Americans. In the Project NOW program, centered in Rock Island, Illinois, Senior Aides cover the spectrum of community service, from an 81 year old male working in maintenance at the Rainbow Day Care Center, to a recently widowed woman working at the Moline Learning Center at Black Hawk College. The Director of Pre-School Education in Rock Island informs us that the many Senior Aides working as teachers' helpers in pre-school and Head Start programs have "served to unite two generations, pre-schoolers and older Americans."

We have also received many letters from the business community attesting to the valuable contributions made by those involved in another Title V service, the Green Thumb program, which is administered by the National Farmer's Union. The diversity of this program can be seen in its impact on two Illinois Counties, McDonough and Bureau. In McDonough County there are 17 Green Thumb workers serving the community in capacities ranging from laundry worker in a local hospital to nutrition assistant in a senior citizen's home. In Bureau County there are 20 Green Thumb participants serving in such positions as weatherization worker for an area high school and soil sampler for a local department of soil and water conservation. The Green Thumb program nationwide is making a special effort to place people in these areas of energy and resource conservation, which are likely to be of vital importance in the coming decades.

A constituent of mine commented recently, in reference to Title V of the Older Americans Act, that "this program is giving us something to do to help ourselves." There could be no more simple and concise explanation of the real value of the Community Service Employment Program for Older Americans. This renewed sense of independence and self-confidence can be found again and again among the participants in this program. That is why it is not suited to a purely utilitarian analysis; its value in human terms is incalculable. How can you put a price tag on dignity and self-esteem felt by older Americans?

Already we neglect the older members of our society. We must not compound our shame by eliminating a genuinely helpful program. I would urge that the Community Service Employment Program for Older Americans be retained as a separate program and funded at an adequate level.

Thank you for the opportunity to express my views.

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